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OVERVIEW

Who We Are

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

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

What We Do

We are dedicated to creating entertainment IPs.

We are the largest variety program IP creator and operator in China in terms of revenue in 2021, with a market share of 1.6%. In 2012, we launched “Sing! China” (中國好聲音), one of the most popular singing competition shows in China. With 11 seasons aired, “Sing! China” has set a record by being the longest running seasonal variety program in China. We also created and operated other variety program IPs with long-lasting popularity, such as “Guess the Singer!” (蒙面唱將猜猜猜), “Sing My Song” (中國好歌曲) and “Brilliant Chinese — Path to Glory” (出彩中國人). We cooperated with Youku, one of the Top Three Online Video Platforms in China, and jointly produced “Street Dance of China” (這!就是街舞), a made-for-internet dance competition show. It became an instant hit after its launch in 2018 and topped the rankings for dance variety programs with a total view count of over 1.7 billion in the same year. We also produced programs in other genres, such as “The Great Wall” (了不起的長城), a cultural variety program released in 2020, which ranked third in terms of TV viewership among all TV variety programs in its time slot.

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

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

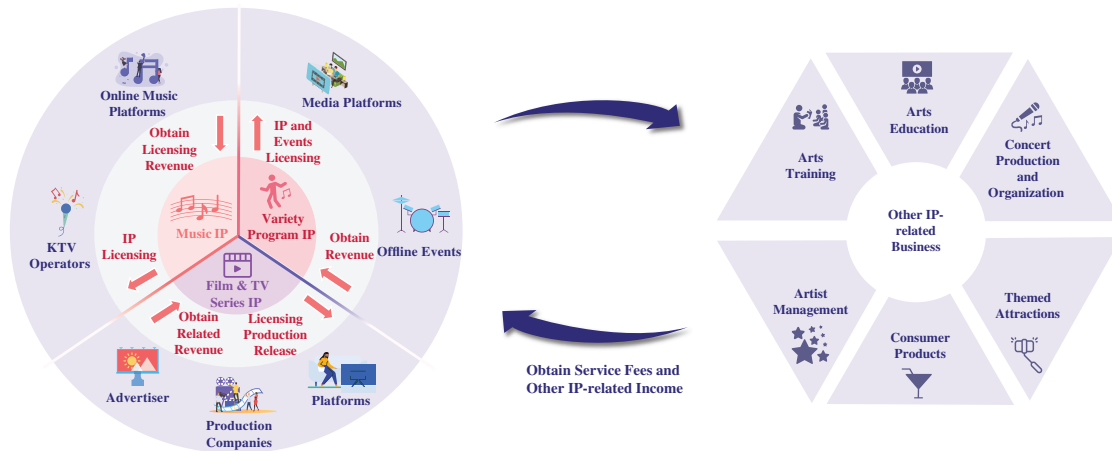
Our IP-centric ecosystem has become an integral part of audience members’ lives, bringing them a spectacular “on-the-air, online and on-the-spot” entertainment experience.

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

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

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

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Our revenue decreased from RMB1,806.6 million in 2019 to RMB1,559.9 million in 2020 and decreased to RMB1,126.7 million in 2021. Our revenue was RMB154.6 million and RMB182.6 million for the six months ended June 30, 2021 and 2022, respectively. We had net profit/(loss) of RMB380.2 million, RMB(37.9) million and RMB(351.7) million in 2019, 2020 and 2021, respectively, and RMB(25.4) million and RMB(13.4) million for the six months ended June 30, 2021 and 2022, respectively. We recorded adjusted net profit/(loss) (non-IFRS measures) of RMB406.2 million, RMB(10.4) million and RMB(304.3) million in 2019, 2020 and 2021, respectively, and RMB11.2 million and RMB(6.3) million for the six months ended June 30, 2021 and 2022, respectively. See “Financial Information — Description of Key Statement of Profit or Loss Items — Non-IFRS Measures” for a reconciliation of our net profit/(loss) to the adjusted net profit/(loss) (non-IFRS measures).

OUR STRENGTHS

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

Leading Creator, Owner and Operator of Entertainment IPs in China

We are the largest variety program IP creator and operator in China in terms of the number of variety program IPs created during the Track Record Period, with a market share of 1.6% in China in terms of revenue in 2021. In addition, we are a music IP creator and operator in China, and have a large library of Chinese film IPs. We are a leading creator and operator of variety program, music, film and drama series IPs in China in terms of revenue in 2021.

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Building on our insight into evolving audience preferences and our deep understanding of the fast-changing industry, we pioneered the Chinese entertainment industry with our diverse and extensive selection of entertainment IPs. In relentless pursuit of originality, we have been the creator of all of our variety program IPs since 2016.

- ***Variety program IPs.*** We are one of the few companies in China that is capable of producing and operating super large variety programs. We constantly roll out variety program IPs with an average viewership rating of 1% or above. During the Track Record Period, we produced and launched a total of 32 variety programs with the cumulative number of episodes of 307. Among the 30 programs we produced in 2019, 2020 and 2021, eight of which were listed among the top ten domestic variety programs in terms of viewership among variety programs in their respective time slots. In 2012, we produced “Sing! China” variety program which is not only an innovative music competition show, but also the holder of the record for China’s seasonal variety program with the largest number of seasons aired. In 2018, we produced the super hit “Street Dance of China” variety program which is the first original made-for-internet dance variety program in China and has a total view count of more than 1.7 billion.
- ***Music IPs.*** We are one of the leading music IP creators and operators in China. Relying on our strong music IP production and operation capabilities, we have produced songs in various music genres and we aim to continually create songs that can go viral. We have produced music IPs based on live performances during our creation of singing competition shows. We also produce a large number of popular original songs and music videos for our managed artists every year. As of June 30, 2022, our music library contained 8,549 music IPs that can be licensed, including music recordings produced during the production of our variety programs, singles and albums we produced for our managed artists, and lyrics and music compositions.
- ***Film and Drama Series IPs.*** We have a large library of Chinese film IPs, consisting of 757 films that cover almost all of the most popular films produced in Hong Kong in the past few decades as of June 30, 2022. We own the right of rerun of all of our film IPs, as well as the rights of remastering and remake of some of our film IPs. In addition, we completed the filming of the drama series “Reading Class” (閱讀課) in October 2020, our first original drama series, and we plan to produce more drama series and films in the future to further expand and diversify our library of original IPs.

We believe that our industry expertise and our leading position in creating entertainment IPs, coupled with the rapid growth of the entertainment industry in China and across the globe, will enable us to play a crucial role in the entertainment industry value chain. With a firm commitment to continually creating entertainment content, we endeavor to create entertainment IPs that are youth-centric, trendsetting and international. We have also expanded our footprint in various IP-related businesses to further develop our entertainment IP ecosystem and continue to lead the market.

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Strong IP Creation Capabilities

We have always been a forerunner in the creation of Chinese entertainment IPs. The ability to continually create popular, entertainment content is our core capability, crucial for strengthening our market power and increasing our business value. Many of our variety programs ranked among the most popular prime-time broadcasts on four of the Big Five TV Networks in China in terms of viewership at their time slots, and accumulated high view counts on the Top Three Online Video Platforms in China, during the Track Record Period.

We have established standardized and efficient entertainment IP creation processes, covering concept formulation, production, marketing, promotion, licensing and broadcasting. These standardized processes enable us to create entertainment content in a cost-effective manner and expand our content creation from our dominant categories such as music and dance variety programs to talk shows, outdoor/cultural variety programs and other popular genres. During the Track Record Period, we continually produced variety programs that ranked among the top five in the field of music and dance variety programs in terms of viewership in their respective timeslots, including “Sing! China 2019,” “Sing! China 2020,” “Sing! China 2021,” “Shine! Super Brothers” (追光吧!哥哥), “The Great Wall,” “China’s Got Talent 2019,” and “Guess the Dancer! 2021” (蒙面舞王2021).

Our content production and operations team and our talent resources are the key drivers of our IP creation and operation, and they constitute our core competencies.

- ***Content Production and Operations Team.*** Our content production and operations team consist of more than 250 professionals. With our innovation-friendly workplace, excellent corporate culture and effective incentive schemes, 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). Programs directed by Mr. Jin Lei include “Sing! China” and “Shine! Super Brothers.” Programs directed by Mr. Xu Xiangdong include “Guess the Singer!” (蒙面唱將猜猜猜) and “So You Think You Can Dance” (舞林爭霸). Programs directed by Mr. Lu Wei include “Street Dance of China” and “Brilliant Chinese — Path to Glory.” Having worked in the variety program industry for decades, our directors are renowned for their expertise in producing and operating super large variety programs. For details of our director’s team, see “— Our Businesses — Variety Program IP Production, Operation, and Licensing — Content Production and Operations Team — Director’s Team.”
- ***Talent Resources.*** We have entered into artist management agreement with many outstanding performing artists who participated in our music variety programs. We engage them in our variety program and music IP production, as well as our other IP-related business. As of June 30, 2022, we had cooperative relationships with more than 150 performing artists, including, in alphabetical order, Ms. Chen Bing (陳冰), Ms. Curley G (希林娜依•高), Ms. Huang Xiaoyun (黃霄雲), Mr. Jiang Dunhao (蔣敦豪), Mr. Li Qi (李琦), Mr. Lil-Em (那吾克熱•玉素甫江), Ms. Liu

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Xuejing (劉雪婧), Ms. Pan Hong (潘虹), Ms. Su Yunying (蘇運瑩), Mr. Tenzin Nyima (旦增尼瑪), Ms. Wu Keyue (伍珂玥), Ms. Xing Hanming (邢晗銘), Ms. Yu Zibei (于梓貝), Mr. Zahi Bing Zo (紮西平措) and Mr. Zhang Lei (張磊). In addition, we have created an extensive talent discovery and recommendation network accumulated over the years to identify new talents who can star in our variety programs. The network covers multiple countries and regions in the world and serves as an important channel for us to explore and cultivate artists with great potential.

Vibrant Entertainment Ecosystem Benefited from Efficient IP Operation

Leveraging our strong IP operation capabilities, we can effectively achieve synergies among our IP resources, further extending our IP value chain. By expanding our IP operations to cover multiple pan-entertainment business segments, we have built a multi-level entertainment IP ecosystem.

- ***Variety program and music IP operation.*** As of June 30, 2022, we produced 3,546 music IPs in relation to our variety programs and 3,158 music IPs for our managed artists. We license our music works to online music and audio entertainment platforms, such as TME and NetEase Cloud Music, media companies, and karaoke operators. We enjoy a strategic advantage in identifying and attracting new blood in the Chinese music industry through our extensive talent discovery network built over the years, and we further promote the cultivation and development of songwriters through our “Sing My Song” variety program. We promote our managed artists through vigorously carrying out offline music activities, such as music festivals and concerts, and also through building a large music production platform for Chinese pop music.
- ***Film and drama series production and IP operation.*** We have cooperated with domestic and international media platforms, such as ByteDance, a leading online video platform, to broadcast the films in our film IP library. In addition, we concluded the filming of our first original drama series, “Reading Class” in 2020. Leveraging our library of film IPs and our capabilities in content production, we are strategically positioned to expand our footprint in the field of film and drama series IP operation and licensing.
- ***Artist management.*** We have successfully identified a large number of talented performing artists through our competition shows. Our artist management team is in close contact with various corporate customers, advertising agencies and media platforms, and works with our managed artists to schedule concerts, tours, in-person appearances and endorsement deals with the customers. As of June 30, 2022, we had one of the largest pools of managed artists among all the variety program IP operation companies in China, with more than 150 managed artists.

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- ***Concert production and organization.*** Leveraging our rich expertise in event planning and our deep roster of managed artists, we have established a concert organization and production business and have served a wide array of customers, including well-known online music platforms and advertising agencies.
- ***Arts education and training.*** Building on our leading brands of singing and dance competition shows and our collaboration with outstanding performing artists, we cooperate with the Shanghai Institute of Visual Arts (上海視覺藝術學院) to offer undergraduate programs in pop music and street dance. As of June 30, 2022, 224 students were enrolled in our arts education program. In addition to the undergraduate program, we offer online and offline music and dance training classes to the general public.
- ***Mobile app and WeChat mini-app.*** To provide an immersive platform for audience members to interact with each other, we have developed and launched a “Sing! China” mobile app and a “Zongbache” mini-app. Through a wide array of social functions, users can receive updates on our latest variety programs and participate in online singing battles, as well as comment on and give “likes” to other users’ singing performances.
- ***Consumer products.*** We actively seek to license our entertainment IPs to various domestic and international brands in various sectors, including cosmetics, food and beverages, clothing and fashion items. We also engage third party suppliers to produce clothing and fashion items centered around our entertainment IPs and sell them on our “Zongbache” mini-app and on online retail platforms such as Tmall.
- ***Themed attractions.*** 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, where we plan to build our “Songjiang Star Variety Program, Film and Drama Series Production Base” and related themed attractions. For more details of our Songjiang Star Variety Program, Film and Drama Series Production Base, see “— Our Businesses — Other IP-Related Business — Themed Attractions.”

Diversified Distribution Channels Centered on IP Promotion

We have built a variety of channels to promote our IPs and to reach a wide audience. Building on our long-term partnerships with major satellite TV networks and online video platforms, as well as our self-operated distribution channels, we have provided our audience with comprehensive and extensive access to our content. Our cooperation with four of the Big Five Satellite TV Networks in China and the Top Three Online Video Platforms in China was one of the most extensive among all entertainment IP operators, in terms of the number of the variety programs broadcast in China during the Track Record Period. In 2020, we created “Shine! Super Brothers,” which is the first variety program to be launched simultaneously on Youku, one of the Top Three Online Video Platforms in China, and Dragon Satellite TV, one of the Big Five Satellite TV Networks in China, setting another record in the Chinese variety program market.

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- **TV networks.** We have conducted extensive market research on the business needs and the brand images of major TV networks and have established close cooperative relationship with the leading ones. We have produced variety programs for leading TV networks, including “Brilliant Chinese — Path to Glory” (出彩中國人) and “Great Challenge” (了不起的挑戰) for CCTV 1, “Sing My Song” for CCTV 3, “Cinderella” (來吧!灰姑娘) for CCTV 6, “Sing! China” and “A Class” (同一堂課) for Zhejiang Satellite TV, “Guess the Singer!” “Guess the Dancer!” (蒙面舞王) “Likes! Talent” (點讚!達人秀) and “Sofa Quiz Time” (了不起的沙發) for Jiangsu Satellite TV, as well as “China’s Got Talent” (中國達人秀) and “Jin Xing Show” (金星秀) for Dragon Satellite TV, all of which have achieved high viewership ratings. Among them, “Sing! China 2021” achieved an average viewership rating of 2.32% and “Guess the Dancer! 2021” achieved an average viewership rating of 1.42%, making them the hit shows of their respective years.
- **Online video platforms.** For internet users, our variety program IPs are easily accessible on leading online video platforms, including Youku, iQIYI and Tencent Video. We first cooperated with Youku to create the highly popular variety program IP “Street Dance of China 2018.” Since then, we have continued our cooperation with Youku and produced “Street Dance of China 2019,” “CHUANG” (這!就是原創) and “Arrival of the Best-Seller!” (爆款來了). We have also cooperated with Tencent Video in producing “Rave Now” (即刻電音) and participated in the production of “Sing Tour” (唱給世界聽) and “Shifu Go Go Go!” (出發吧, 師傅!), which were released on iQIYI. Such collaborations enable us to build a distribution network that covers the major online video platforms. In particular, the popularity of “Street Dance of China” continued and “Street Dance of China 2020” has inspired a total of six spinoffs. Based on information published on Maoyan Professional, “Street Dance of China 2019,” “Street Dance of China 2020” and “Street Dance of China 2021” ranked first in terms of Maoyan Popularity among all made-for-internet variety programs broadcast on Youku in 2019, 2020 and 2021, respectively, as of the Latest Practicable Date. In addition, we have worked with leading short video platforms to launch our own channels, in an effort to increase our influence among internet users.
- **Self-operated distribution channels.** We actively build self-operated distribution channels to expand our audience reach, such as our “Sing! China” app and “Zongbache” mini-app. They allow us to interact directly with audience members and are growing into a social media platform for users.

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An Audience Base Attracted by Our Popular IPs

Empowered by our strong IP operation capabilities and diversified distribution channels, our entertainment IPs have attracted a massive audience base with strong loyalty. Having ranked the first in terms of viewership in its timeslot for ten consecutive years from 2012 to 2021, “Sing! China” has accumulated a large number of passionate and loyal audience. With the highest total view count among all made-for-internet dance variety programs in China in 2018, “Street Dance of China” has built a loyal audience base in particular among the younger generation.

We are able to achieve frequent, efficient and real-time communications and interactions with audiences through various online and offline channels. For example, the offline entertainment events in association with our “Sing! China” variety program attracted many enthusiastic music lovers from multiple countries and regions around the world to participate during the Track Record Period. As of June 30, 2022, the “Sing! China” app had more than 1.2 million registered users, who can participate in online singing battles, take online assessments of their singing skills, and take online arts training courses on the app.

We have covered the entire value chain of entertainment IP creation and operation, making our entertainment IP ecosystem highly interactive, connected and participatory. We identify and promote new talent through various channels, including offering arts training and education, contracting with rising artists and providing new talent with an online platform to showcase their vocal skills on the “Sing! China” app. These channels enable frequent interactions among audience and attract artists to register on our “Sing! China” app and give online live performances.

Global Entertainment IP Presence

In recent years, the global entertainment industry has experienced steady growth with the development of the Chinese market. The market size of the global entertainment industry reached US\$373.1 billion in 2021, and it is expected to reach US\$504.8 billion in 2026 with a CAGR of 6.2% from 2021 to 2026. We believe we are well-positioned to capitalize on the market growth of the global entertainment industry with our global vision and our international presence through IP licensing.

We license our IP rights in variety programs to overseas content production companies. Through our licensing network, our variety programs are available in multiple countries, including China, the United States, Canada, Singapore, Malaysia and Qatar. We also licensed the program format of “Sing My Song,” an original variety program created by us, to a content production company in Vietnam, which is the first time an original Chinese variety program has been licensed in an overseas market. During the Track Record Period, our variety programs received several international awards and nominations. For example, “A Class 2019,” our original variety program produced by us, won the best children’s program award given by Infocomm Development Authority of Singapore. “CHUANG” won “best Director (China)” at 2019 Asian Academy Creative Awards.

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We also have a global reach through STAR Chinese Channel, STAR International Channel and Channel V, three major channels operated by our related entity, SCML, all of which have extensive popularity and wide influence in overseas markets. These channels provide entertainment content to audiences in Southeast Asia and North America. Channel V’s annual “Chinese Music Awards” (全球華語音樂榜中榜), a well-recognized music awards program in the Chinese music industry, has been held for 20 consecutive years and we have the right to host it for an indefinite period.

Visionary and Experienced Management Team

Benefiting from the insights and expertise of our management team led by Mr. Tian Ming (田明), we have pioneered the Chinese entertainment industry. Our management team has witnessed the vigorous development of China’s culture and entertainment industry in the past 30 years and will continue to set the trend for producing and operating Chinese entertainment IPs.

Our Chairman, Mr. Tian Ming, has nearly 30 years of experience within the industry. He has served as senior executive of Shanghai Oriental Star Culture Development Co., Ltd. (上海東方之星文化發展有限公司), deputy general manager of Shanghai Media Group (上海文廣新聞傳媒集團), chief operating officer and general manager of Dragon Satellite TV. He has extensive experience in producing variety programs, managing team efficiently and integrating industry resources. Under the leadership of Mr. Tian Ming, our passionate and professional content creation team is highly collaborative and committed to creating entertainment IPs. Our visionary management team will continue to guide us through the fast-changing industry trends, formulate growth strategies, capture market opportunities and achieve sustainable development.

Our senior executives have an average of 30 years of relevant industry experience: Mr. Jin Lei, Mr. Xu Xiangdong, Mr. Lu Wei, Ms. Shen Ning, Mr. Wu Qunda and Mr. Zhang Li are excelled in the creation of entertainment IPs; Mr. Cao Zhigao (曹志高) has extensive experience in the operation and the monetization of entertainment IPs. Ms. Wang Yan (王艷) has profound financial management and corporate management experience. Their insights into the trend of mass culture and entertainment, developing IP value chain and capturing creative opportunities to reach wider audiences enable us to continually create popular IPs and maintain a leading position in our industry.

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OUR STRATEGIES

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

Further Strengthen Our IP Creation and Operation Capabilities

We will strengthen our market leading position in the field of variety program IP creation and continue to expand our music IP library and film IP library. We plan to further enhance our capabilities of content production in the field of variety programs, music, film and drama series. We will also diversify the genres and topics of our IPs and explore ways to expand our IP reserve through cooperation and mergers and acquisitions.

Building on our established entertainment IP industry value chain, we will further explore innovative ways to operate our entertainment IPs. We plan to continue to invest in the fields of arts education and training, themed attractions and consumer products to provide entertainment services and products to the audience.

Further Expand Our Audience Outreach and Brand Influence to Enhance Our Monetization Capabilities

We will continue to set up distribution channels in various business fields to reach a wider audience. We will increase the number of TV networks, online video platforms and music service providers we work with. We also plan to diversify our distribution channels and offer onsite experience through IP-centered experience halls, electronic music centers and street dance centers. We will continue to deepen our cooperation with various distribution platforms and achieve synergies in association with the production, operation and distribution of our IPs. We will provide better user experience and increase the size and stickiness of our audience base, in order to attract investing media platforms and advertising clients, and enhance our monetization capabilities.

Leveraging the growth of the global entertainment industry, we plan to further enhance the influence and value of our entertainment IPs in the global market. We will strength our efforts to recruit content production professionals in the overseas entertainment market and attract talented artists globally to join our content production process. We will continue to promote our original content overseas and monetize our entertainment IPs by licensing our program IPs to overseas content production companies and companies in other-IP related business.

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Further Expand Our Business Through Mergers and Acquisitions

We will keep a close watch on and continuously evaluate high-quality mergers and acquisitions targets that are complementary to our business and in line with our strategies, including arts training institutions, IP-centered experience halls, marketing and promoting companies, themed attractions and consumer products companies that can improve our IP operation capabilities. Through mergers and acquisitions, we can effectively integrate premium industry resources in the upstream and downstream of the entertainment value chain, further accelerating the expansion of the Company.

Continue to Attract Talents and Build Our Team

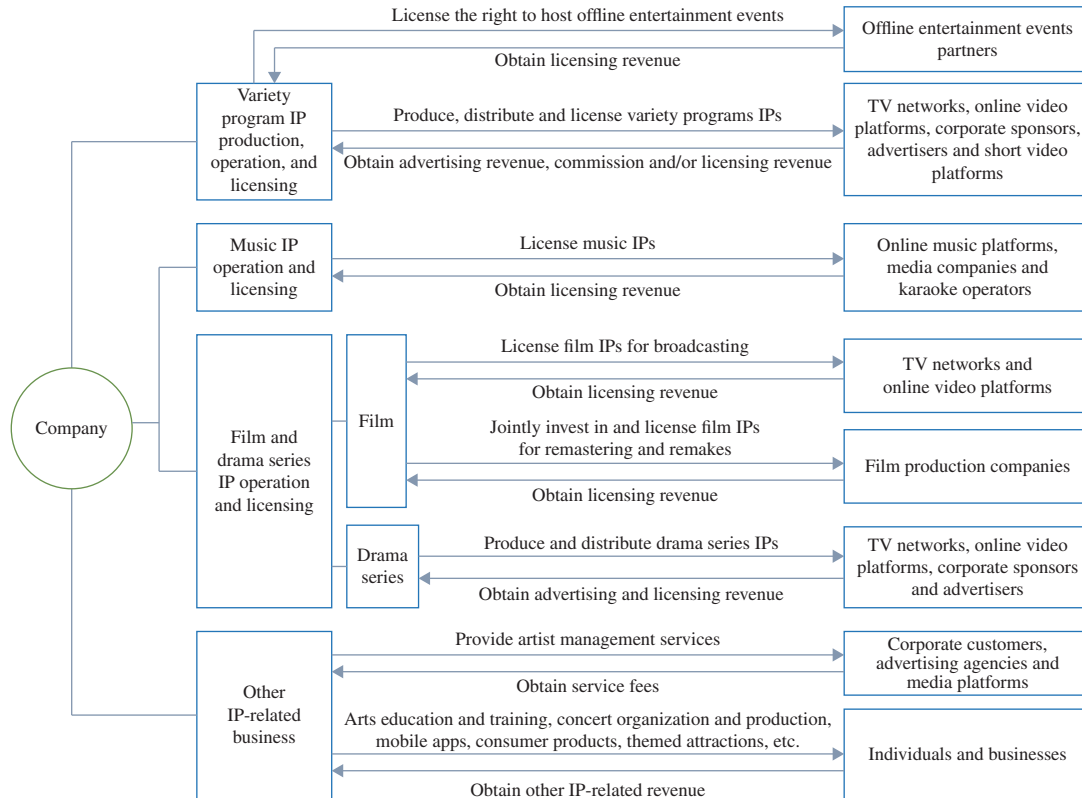
Talent is the key enabler for our market leading position. We provide excellent training opportunities and highly competitive compensation and incentive plan for our employees. We will further improve our talent acquisition and retention system to attract top talents in the fields of IP production, operation and management, facilitate our team to continuously improve and enhance the long-term business prospects of the Company.

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We are the leading creator and operator of variety program, music, film and drama series IPs in China in terms of revenue in 2021, capable of offering a full spectrum of entertainment IPs and other IP-related products and services. Stemming from our successful variety program offering, we have been continually diversifying our exposure to other pan-entertainment categories and expanding our business along the entertainment value chain. Built upon our fully integrated entertainment ecosystem, we are committed to meeting the needs of our customers audience members, and exceeding their expectations through every interaction.

Leveraging our premium industry resources and market leading position, we have built a business model that centers on our entertainment IPs and generates revenue from multiple sources. We produce variety programs for TV networks and online video platforms, generating income in the form of revenue sharing, commission fees and licensing fees for the broadcasting rights of our variety programs and the right to host offline entertainment events. We also license the songs and albums we produced for our variety programs and managed artists to leading online music platforms, media companies and karaoke operators. To further diversify our revenue source, we license our film IPs to international and domestic media platforms and made our debut in drama series production and distribution. To further capitalize on our IP resources, we provide a series of IP-related products and services such as artist management, concert organization and production, arts education and training, mobile apps, consumer products and themed attractions. Below is an illustration of our business and revenue model.

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

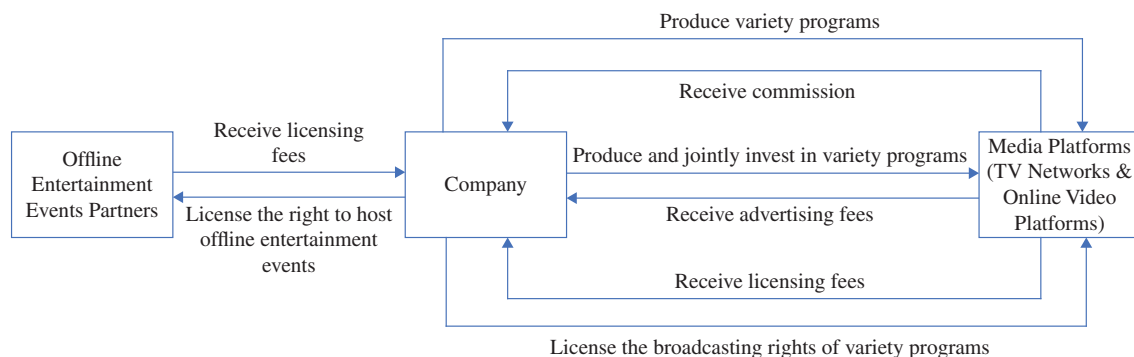
	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in millions, except for percentages)</i>										
<i>(unaudited)</i>										
Revenue										
Variety program IP production, operation, and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

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

Variety Program IP Production, Operation, and Licensing

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



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

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except for percentages)</i>									
	<i>(unaudited)</i>									
Revenue sharing model	1,137.5	84.9%	665.8	61.1%	704.7	80.1%	56.3	77.7%	36.1	26.4% ⁽¹⁾
Commissioned production model	203.0	15.1%	424.3	38.9%	174.8	19.9%	16.2	22.3%	100.4	73.6% ⁽¹⁾
Total	1,340.5	100.0%	1,090.1	100.0%	879.5	100.0%	72.5	100.0%	136.5	100.0%

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

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

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>(RMB in millions, except for percentages)</i>				
<i>(unaudited)</i>					
Gross Profit⁽¹⁾					
Revenue sharing model		323.4	113.9	95.0	31.3
Commissioned production model		64.0	108.5	39.4	3.9
Total gross profit⁽¹⁾		387.4	222.4	134.4	35.2
Gross Profit Margin⁽¹⁾					
Revenue sharing model		28.9%	20.4%	15.3%	48.6%
Commissioned production model		28.4%	17.1%	13.5%	55.6%
		31.5%	25.6%	22.5%	24.1%
					16.1%

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

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Under the revenue sharing model, we price a program primarily based on our expected total advertising sales of the program and our expected production cost. Under the commissioned production model, we price a program primarily based on our estimated production cost and our target profit margin.

Our overall gross profit margins under revenue sharing model were higher than that under commissioned production model in the six months ended June 30, 2021 and 2022. This was primarily because our revenue generated from “Sing! China” programs made under the revenue sharing model in the first half of 2021 and 2022 mainly consisted of revenue from licensing the right to host offline entertainment events, which had a relatively high gross profit margin.

Our 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. This was primarily because, during the Track Record Period, we did not provide certain production services such as stage setting and guest invitation for some of the programs made under the commissioned production model, which were provided by the investing media platforms instead. Our gross profit margin for these programs was relatively high. In comparison, we provided all production services, including stage setting and guest invitation, for almost all of our programs made under the revenue sharing model during the Track Record Period. In addition, as the gross profit margin under the revenue sharing model depends not only on the actual production cost incurred, but also on the actual advertising sales of the programs, the gross profit margin under the revenue sharing model is more susceptible to decreases in the advertising budget of corporate customers during the Track Record Period, reflecting the negative impact of COVID-19 pandemic, as well as policy or economic changes that adversely affected certain industries. In comparison, when we select the programs to be produced under the commissioned production model, we can decide to turn down the programs whose estimate profit margins are lower than our targets. However, compared to the commissioned production model, we can enjoy the upside under the revenue sharing model. When the actual advertising sales of a program made under the revenue sharing model turns out to be higher than our estimate, our gross profit margin of the program would also increase.

Because of the foregoing reasons, a shift in the cooperation model of multi-season variety programs may cause the gross profit margin of different seasons to fluctuate. During the Track Record Period, there was no shift in the cooperation model of our multi-season variety programs other than the “Let’s Dance!” (師父!我要跳舞了) programs. “Let’s Dance!” shifted from the commissioned production model in 2020 to the revenue sharing model in 2021, and its gross profit margin decreased in 2021 as compared to 2020. Since “Let’s Dance! 2020” (師父!我要跳舞了2020) and “Let’s Dance! 2021” (師父!我要跳舞了2021) are not our major programs, the decrease in the gross profit margin of “Let’s Dance!” in 2021 did not materially affect our overall gross profit margin in 2021.

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The following table sets out a breakdown of our revenue generated from variety program IP production, operation, and licensing by programs for the periods indicated, and the director(s) of the top five variety programs each year in terms of revenue contribution.

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except for percentages)</i>									
	<i>(unaudited)</i>									
Sing! China (中國好聲音) ⁽¹⁾	490.5	36.6%	324.5	29.8%	251.6	28.6%	-	-	-	-
Street Dance of China (這就是街舞) ⁽²⁾	184.0	13.7%	210.5	19.3%	239.1	27.2%	-	-	-	-
China’s Got Talent 2019 (中國達人秀2019) ⁽³⁾	182.9	13.6%	-	-	-	-	-	-	-	-
CHUANG (這就是原創) ⁽⁴⁾	140.3	10.5%	-	-	-	-	-	-	-	-
Guess the Singer! (蒙面唱將猜猜猜) ⁽⁵⁾	132.8	9.9%	65.1 ⁽⁶⁾	6.0%	23.8 ⁽⁶⁾	2.7%	23.8 ⁽⁶⁾	32.8%	-	-
Let’s Band (一起樂隊吧)	70.1	5.2%	-	-	-	-	-	-	-	-
The Great Wall (了不起的長城)	34.6 ⁽⁷⁾	2.6%	158.2 ⁽⁷⁾	14.5%	-	-	-	-	-	-
Guess the Dancer! (蒙面舞王) ⁽⁸⁾	-	-	80.1	7.3%	79.9	9.1%	-	-	-	-
Arrival of the Best-Seller! 2020 (爆款來了2020) ⁽⁹⁾	-	-	76.9	7.1%	-	-	-	-	-	-
Sing Along the Way (街頭音浪2020)	-	-	54.7	5.0%	-	-	-	-	-	-
King Cross 2020 (跨界歌王2020)	-	-	41.5	3.8%	-	-	-	-	-	-
Shifu Go Go Go! (出發吧,師傅!)	-	-	23.5	2.2%	-	-	-	-	-	-
Likes! Talent (點讚!達人秀) ⁽¹⁰⁾	-	-	-	-	110.3 ⁽¹¹⁾	12.5%	-	-	24.1 ⁽¹¹⁾	17.7%
Shine! Super Brothers (追光吧!) ⁽¹²⁾	-	-	-	-	68.4 ⁽¹³⁾	7.8%	-	-	17.1 ⁽¹³⁾	12.5%
IN China (中國潮音)	-	-	-	-	52.7 ⁽¹⁴⁾	6.0%	-	-	8.8 ⁽¹⁴⁾	6.5%
Great Dance Crew (了不起!舞社)	-	-	-	-	-	-	-	-	53.3	39.0%
Others ⁽¹⁵⁾	105.3	7.9%	55.1	5.0%	53.7	6.1%	48.7	67.2%	33.2	24.3%
Total	1,340.5	100.0%	1,090.1	100.0%	879.5	100.0%	72.5	100.0%	136.5	100.0%

(1) “Sing! China 2019” was directed by Mr. Jin Lei, Mr. Lu Wei and Mr. Chen Di; “Sing! China 2020” was directed by Mr. Jin Lei and Ms. Shen Ning; “Sing! China 2021” was directed by Mr. Jin Lei.

(2) “Street Dance of China 2019,” “Street Dance of China 2020” and “Street Dance of China 2021” were directed by Mr. Lu Wei.

(3) “China’s Got Talent 2019” was directed by Mr. Zhang Li.

(4) “CHUANG” was directed by Mr. Wu Qunda.

(5) “Guess the Singer! 2019” was directed by Mr. Xu Xiangdong and Mr. Wang Chenchen.

(6) Representing the revenue we recognized in 2020 and 2021 for “Guess the Singer! 2020” that was broadcast in 2020 and 2021.

(7) Representing the revenue we recognized in 2019 and 2020 for “The Great Wall,” which was produced under the commissioned production model. Though the program was initially broadcast in 2020, we started the production process in 2019. We recognized a portion of the revenue for “The Great Wall” in 2019 as our revenue for commissioned production is recognized overtime during the production process, in accordance with our revenue recognition policy.

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- (8) “Guess the Dancer! 2020” and “Guess the Dancer! 2021” were directed by Mr. Xu Xiangdong and Mr. Wang Chenchen.
- (9) “Arrival of the Best-Seller! 2020” was directed by Mr. Lu Wei.
- (10) “Likes! Talent” was directed by Mr. Zhang Li and Mr. Chen Di.
- (11) Representing the revenue we recognized in 2021 and the six months ended June 30, 2022 for “Likes! Talent” that was broadcast in 2021 and 2022.
- (12) “Shine! Super Brothers 2021” was directed by Mr. Jin Lei.
- (13) Representing the revenue we recognized in 2021 and the six months ended June 30, 2022 for “Shine! Super Brothers 2021” that was broadcast in 2021 and 2022.
- (14) Representing the revenue we recognized in 2021 and the six months ended June 30, 2022 for “IN China” that was broadcast in 2021 and 2022.
- (15) For each of 2019, 2020 and 2021, others comprised of variety programs other than our major programs, consisting of non-seasonal variety programs, variety programs of which we only involved in post-production and variety programs whose revenue is less than two percent of our total revenue generated from variety program IP production, operation, and licensing in the year it was initially broadcast. For the six months ended June 30, 2021, others comprised of variety programs other than our major programs and programs which had not been initially broadcast as of June 30, 2021. For the six months ended June 30, 2022, others comprised of variety programs other than our major variety programs, programs expected to be our major variety programs, and programs which had not been initially broadcast as of June 30, 2022.

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

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

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	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit ⁽¹⁾	Gross profit margin ⁽¹⁾	Gross profit ⁽¹⁾	Gross profit margin ⁽¹⁾	Gross profit ⁽¹⁾	Gross profit margin ⁽¹⁾	Gross profit ⁽¹⁾	Gross profit margin ⁽¹⁾	Gross profit ⁽¹⁾	Gross profit margin ⁽¹⁾
	(%)		(%)		(%)		(%)		(%)	
	<i>(RMB in millions, except for percentages)</i>									
	<i>(unaudited)</i>									
Shine! Super Brothers (追光吧!) ⁽⁵⁾	-	-	-	-	13.7	20.0%	-	-	3.5	20.5%
IN China (中國潮音) ⁽⁶⁾	-	-	-	-	8.9	16.9%	-	-	1.5	17.0%
Great Dance Crew (了不起!舞社)	-	-	-	-	-	-	-	-	11.3	21.2%
Others ⁽⁷⁾	21.9	20.8%	1.8	3.3%	9.4	17.5%	33.7	69.2%	12.3	37.0%
Total	387.4	28.9%	222.4	20.4%	134.4	15.3%	35.2	48.6%	29.0	21.2%

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

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

(3) We recorded gross profit of nil for “The Great Wall” in 2019 because the revenue we recognized for “The Great Wall” in 2019 was fully offset by the cost of sales we incurred in the same year. The overall gross profit margin of “The Great Wall” was 15.1% after including the revenue generated and cost of sales incurred in 2019 and 2020.

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

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

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

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

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

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except for percentages)</i>									
	<i>(unaudited)</i>									
Advertising sales	948.2	70.7%	571.4	52.4%	604.5	68.7%	20.5	28.3%	23.6	17.3%
TV networks	638.8	47.6%	367.5	33.7%	255.7	29.1%	20.5	28.3%	–	–
Online video platforms	309.4	23.1%	203.0	18.6%	348.9	39.6%	–	–	23.6	17.3%
Others ⁽¹⁾	–	–	0.9	0.1%	–	–	–	–	–	–
Commissioned programs	203.0	15.1%	424.3	38.9%	174.8	19.9%	16.2	22.4%	100.4	73.6%
TV networks	43.1	3.2%	198.8	18.2%	0.8	0.1%	0.2	0.3%	2.1	1.5%
Online video platforms	151.4	11.3%	222.4	20.4%	171.5	19.5%	16.0	22.1%	98.3	72.0%
Others ⁽¹⁾	8.5	0.6%	3.1	0.3%	2.5	0.3%	–	–	–	–
Licensing of broadcasting rights	121.0	9.0%	69.9	6.4%	52.1	5.9%	4.0	5.5%	0.1	0.1%
TV networks	4.1	0.3%	2.1	0.2%	3.3	0.4%	0.1	0.1%	0.1	0.1%
Online video platforms	116.9	8.7%	67.8	6.2%	48.8	5.5%	3.9	5.4%	–	–
Licensing of offline entertainment events	68.3	5.1%	24.5	2.3%	48.1	5.5%	31.8	43.8%	12.4	9.1%
Total	1,340.5	100.0%	1,090.1	100.0%	879.5	100.0%	72.5	100.0%	136.5	100.0%

(1) Comprising customers other than TV networks and online video platforms.

Among our revenue generated from variety program IP production, operation, and licensing, our revenue generated from TV networks decreased from RMB686.0 million in 2019 to RMB568.4 million in 2020, primarily due to a decrease of RMB271.3 million in our revenue from TV networks for advertising sales, because (i) our revenue in connection with “Sing! China 2020” decreased due to the negative impact of the COVID-19 pandemic, and (ii) we did not produce the subsequent season for “China’s Got Talents 2019” in 2020, resulting from changes in the investing media platform’s production budget and broadcasting plan and schedules. The decrease was partially offset by an increase in our commission fee from TV networks, due to the recognition of a majority of our revenue from “The Great Wall” in 2020. Our revenue from TV networks further decreased from RMB568.4 million in 2020 to RMB259.8 million in 2021, primarily due to (i) a decrease of RMB198.0 million in our commission from TV networks, because we did not produce the subsequent season for “The

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Great Wall” in 2021, resulting from changes in the investing media platform’s production budget and broadcasting plan and schedules, and (ii) a decrease of RMB111.9 million in our revenue from TV networks for advertising sales in connection with “Sing! China 2021,” mainly due to a decrease in the advertising budget of corporate customers, which reflected the negative impact of COVID-19 pandemic on the economic environment, and policy or economic changes that adversely affected certain industries such as after-school tutoring, an enterprise in which was an advertising client of “Sing! China 2020.” Our revenue from TV networks decreased from RMB20.8 million for the six months ended June 30, 2021 to RMB2.2 million for the six months ended June 30, 2022, primarily due to a decrease of RMB20.5 million in our revenue from TV networks for advertising sales, because we recognized part of the revenue from “Guess the Singer! 2020” in the first half of 2021, while we did not recognize any revenue from “Guess the Singer!” program in the first half of 2022.

Among our revenue generated from variety program IP production, operation, and licensing, our revenue generated from online video platforms decreased from RMB577.7 million in 2019 to RMB493.2 million in 2020. The decrease was primarily due to a decrease of RMB106.4 million in our revenue from online video platforms for advertising sales, because we did not produce the subsequent season for “CHUANG” in 2020, resulting from changes in the investing media platform’s production budget and broadcasting plan and schedules. The decrease was partially offset by an increase in our commission fee of RMB71.0 million from online video platforms, primarily due to an increase of our revenue from “Arrival of the Best-Seller!” program in 2020 as compared to 2019. Our revenue from online video platforms increased from RMB493.2 million in 2020 to RMB569.2 million in 2021, primarily due to an increase of RMB145.9 million in our revenue from online video platforms for advertising sales, primarily because we produced “Likes! Talent” under the revenue sharing model. Our revenue from online video platforms increased from RMB19.9 million for the six months ended June 30, 2021 to RMB121.9 million for the six months ended June 30, 2022, primarily due to an increase of RMB82.3 million in our commission from online video platforms, mainly because we produced “Great Dance Crew” under the commissioned production model.

Since our inception, we have created over 80 variety program IPs as of June 30, 2022, covering a wide array of categories. Our music and dance variety programs are highly popular among audience both inside and outside China, such as “Sing! China” (中國好聲音) and “Street Dance of China” (這!就是街舞). Many of the variety programs we created are first of its kind, such as “Sing My Song” (中國好歌曲), the first music competition show in China featuring songwriters. We also produced talent shows, outdoor/cultural variety programs and talk shows, such as “Jin Xing Show” (金星秀) and “Miaofu Show” (苗阜秀).

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Program Portfolio and Major Program Description

We first produced “Sing! China” in 2012, which became an instant hit with the audience. “Sing! China” ranked first place in terms of TV viewership at its own time slot for ten consecutive years from 2012 to 2021. Since its launch, “Sing! China” has snared numerous viewers and become a highly successful case of a multi-season variety program with enduring popularity.

Building on the success of the “Sing! China” series, we have focused our resources on creating and operating music variety programs, dance variety programs and talent shows, which epitomize our creativity and industry experience. In addition, we have spanned our business to cover other program genres, including talk shows and outdoor/cultural variety programs, and have produced several smash hits. The following table sets forth key information on our variety programs released during the Track Record Period.

Program Portfolio

Genre	Program	Format	Frequency	Primary Broadcasting Platform
<i>Music Variety Program</i>				
1.	CHUANG (這!就是原創)	Music competition show for songwriters	Seasonal	Youku
2.	Sing Tour (唱給世界聽)	Outdoor show to promote Chinese music	Seasonal	iQIYI
3.	Sing! China 2019 (中國好聲音2019)	Music competition show for singers	Seasonal	Zhejiang Satellite TV
4.	Guess the Singer! 2019 (蒙面唱將猜猜猜2019)	Guess the singer challenge	Seasonal	Jiangsu Satellite TV
5.	Let’s Band (一起樂隊吧)	Music competition show for music bands	Seasonal	Youku
6.	King Cross 2020 (跨界歌王2020)	Music competition show for non-professional singers	Seasonal	Beijing Satellite TV
7.	Sing! China 2020 (中國好聲音2020)	Music competition show for singers	Seasonal	Zhejiang Satellite TV
8.	Sing Along the Way (街頭音浪2020)	City travel music show	Seasonal	Youku

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Genre	Program	Format	Frequency	Primary Broadcasting Platform
9.	Guess the Singer! 2020 (蒙面唱將猜猜猜2020)	Guess the singer challenge	Seasonal	Jiangsu Satellite TV
10.	Sing! China 2021 (中國好聲音2021)	Music competition show for singers	Seasonal	Zhejiang Satellite TV
11.	IN China (中國潮音)	Music competition show featuring pop music	Seasonal	Youku
<i>Dance Variety Program</i>				
12.	Street Dance of China 2019 (這!就是街舞2019)	Street dance competition show	Seasonal	Youku
13.	Let's Dance! 2020 (師父!我要跳舞了2020)	Children's dance variety program	Seasonal	Youku
14.	Street Dance of China 2020 (這!就是街舞2020)	Street dance competition show	Seasonal	Youku
15.	Guess the Dancer! 2020 (蒙面舞王2020)	Guess the dancer challenge	Seasonal	Jiangsu Satellite TV
16.	Let's Dance! 2021 (師父!我要跳舞了2021)	Children's dance variety program	Seasonal	Youku
17.	Street Dance of China 2021 (這!就是街舞2021)	Street dance competition show	Seasonal	Youku
18.	Guess the Dancer! 2021 (蒙面舞王2021)	Guess the dancer challenge	Seasonal	Jiangsu Satellite TV
19.	Great Dance Crew (了不起!舞社)	Dance competition show for dancers	Seasonal	Youku
<i>Talent Show</i>				
20.	Shine! Super Brothers 2020 (追光吧!哥哥2020)	Performing artists' talent show	Seasonal	Youku and Dragon Satellite TV
21.	China's Got Talent 2019 (中國達人秀2019)	Talent show	Seasonal	Dragon Satellite TV

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Genre	Program	Format	Frequency	Primary Broadcasting Platform
22.	Shifu Go Go Go! (出發吧,師傅!)	Taxi driver's talent show	Seasonal	iQIYI
23.	Likes! Talent (點讚!達人秀)	Talent show	Seasonal	Douyin and Jiangsu Satellite TV
24.	Shine! Super Brothers 2021 (追光吧!2021)	Talent show featuring performing artists	Seasonal	Youku and Dragon Satellite TV
<i>Talk Show</i>				
25.	Talk One on One 2021 Season One (有一說一2021第一季)	Talk show conducted outdoors	Seasonal	Xigua Video
26.	Talk One on One 2021 Season Two (有一說一2021第二季)	Talk show conducted outdoors	Seasonal	Xigua Video
27.	Roasting King (嘴強王者)	Talk show in the roast genre featuring esports	One-off	Tencent Video
<i>Outdoor/Cultural Variety Program</i>				
28.	The Great Wall (了不起的長城)	Outdoor cultural and knowledge show	Seasonal	Beijing Satellite TV
29.	A Class 2019 (同一堂課2019)	Cultural show encouraging teenagers to discover the charm of Chinese classics	Seasonal	Zhejiang Satellite TV
<i>Other Variety Program</i>				
30.	Arrival of the Best-Seller! 2019 (爆款來了2019)	E-commerce competition show	Seasonal	Youku
31.	Arrival of the Best-Seller! 2020 (爆款來了2020)	E-commerce competition show	Seasonal	Youku
32.	PANTHEPACK (熊貓書包請查收)	Variety program featuring a group of artists	Seasonal	Douyin

During the Track Record Period and up to the Latest Practicable Date, we did not have any material termination of or loss-making programs.

BUSINESS

Major Program Description

Below is a description of a selective list of our variety programs produced during the Track Record Period, which covers all of the five program genres and include all of our major programs during the Track Record Period.

Sing! China (中國好聲音)



“Sing! China” is the first singing competition show we produced. The series employs a panel of music icons serving as mentors who choose teams of contestants, usually passionate music lovers and many of them self-taught. The mentors will guide their team through rounds of battles and compete to ensure that their team wins the competition. Since its debut in 2012, “Sing! China” has enjoyed success nationwide and gained global influence.

The reason for the phenomenal success of “Sing! China” is multifold: As we provide the contestants with an opportunity to bring their authentic style in front of a national audience, “Sing! China” has become a preferred platform for talented singers to pursue their performance career. Featuring everyday people from all walks of life, we present the contestants’ performance and life stories which can easily resonate with the audience. In addition, we have built an extensive and efficient talent discovery network over the years to help us continually identify emerging artists to participate in the programs as contestants. Because of its enduring popularity and successful track record, “Sing! China” has been selected to be one of the only four music competition shows that are allowed to be broadcast on TV networks during prime time since 2013.

BUSINESS

After its launch, “Sing! China” has aired 11 seasons and is broadcast on Zhejiang Satellite TV, one of the Big Five Satellite TV Networks in China. “Sing! China” finished its first season with a massive audience base and a viewership rating as high as 3.08%. It continued its success with its subsequent seasons with an average viewership rating of 1.75%, 2.52% and 2.32% in 2019, 2020 and 2021, respectively. “Sing! China” ranked first in terms of average viewership rating at its timeslot for ten consecutive years from 2012 to 2021. Rankings based on average viewership ratings are commonly used to measure popularity of variety programs. We produced the “Sing! China” programs under the revenue sharing model during the Track Record Period.

In comparison, based on information published on tvtv.hk, (i) “Singing with Legends 2019” (中國夢之聲•我們的歌2019), “Singer 2019” (歌手2019) and “Sing or Spin 2019” (嗨唱轉起來2019) achieved an average viewership rating of 1.87%, 0.74% and 0.91% in 2019, respectively; (ii) “Singing with Legends 2020” (中國夢之聲•我們的歌2020), “Singer 2020” (歌手•當打之年2020) and “Sing or Spin 2020” (嗨唱轉起來2020) achieved an average viewership rating of 2.17%, 2.02% and 0.94% in 2020, respectively; and (iii) “Singing with Legends 2021” (中國夢之聲•我們的歌2021), “The Treasure” (誰是寶藏歌手) and “Praise the Program” (為歌而贊) achieved an average viewership rating of 2.52%, 2.28% and 2.26% in 2021, respectively. All of these programs are music variety programs produced by other producers and initially broadcast between 2019 and 2021. Each of these programs ranked in the top three among all music variety programs produced by others producers in the year the program was initially broadcast in terms of average viewership rating.

“Guess the Singer!” (蒙面唱將猜猜猜)



“Guess the Singer!” is another highly successful music variety program produced by us. Performers in head-to-toe disguise will perform duets, trios or choruses, with a panel of celebrities trying to guess the identities of the performers. The program is highly entertaining as it combines music performance with the excitement of guessing games. To further add an element of surprise, we have invited people from vastly different backgrounds, including singers, actors and actresses, athletes, entrepreneurs and social media influencers, to perform. As the audience has only seen the performers in their primary role, they are often fascinated to discover the performers’ hidden singing skills. The fact that “Guess the Singer!” provides a stage that is open to both amateurs and professionals helps attract people from various professions to participate in the program and further contributes to its popularity.

BUSINESS

Premiered in 2016, we have produced five seasons of “Guess the Singer!,” which is broadcast on Jiangsu Satellite TV, one of the Big Five Satellite TV Networks in China. It had an average viewership rating of 1.20% and 1.45% in 2019 and 2020, respectively, ranking second in terms of average viewership rating at its timeslot for both seasons. We produced the “Guess the Singer!” programs under the revenue sharing model during the Track Record Period.

In comparison, based on information published on tvtv.hk, (i) “Singing with Legends 2019,” “Singer 2019” and “Sing or Spin 2019” achieved an average viewership rating of 1.87%, 0.74% and 0.91% in 2019, respectively; and (ii) “Singing with Legends 2020,” “Singer 2020” and “Sing or Spin 2020” achieved an average viewership rating of 2.17%, 2.02% and 0.94% in 2020, respectively. All of these programs are music variety programs produced by other producers and initially broadcast between 2019 and 2020. Each of these programs ranked in the top three among all music variety programs produced by other producers in the year the program was initially broadcast in terms of average viewership rating.

“CHUANG (這!就是原創)”



“CHUANG” is a music competition show for songwriters, which aims to present the latest trend of Chinese music and the talents of songwriters. Led by three well-known music artists, “CHUANG” provides a valuable opportunity for rising songwriters to perform their original songs to a nationwide audience. The music works performed during the show cover a broad range of music elements, such as pop, classic and hip-hop.

“CHUANG” was streamed on Youku in 2019, one of China’s leading online video platforms. We produced “CHUANG” under the revenue sharing model.

BUSINESS

“Let’s Band (一起樂隊吧)“



“Let’s Band” is a music competition show that features bands. 75 young musicians form bands and compete with each other, under the lead of four well-known music artists. “Let’s Band” aims to present the development trend of bands, scout new talent for China’s music industry and promote bands that are popular with the young generation. Through presenting the journey of the 75 program participants in the show, who love the culture of bands and look for like-minded friends and colleagues, “Let’s Band” showcases their passion and love for music and bands.

“Let’s Band” was streamed on Youku in 2019, one of China’s leading online video platforms. We produced the “Let’s Band” under the commissioned production model.

BUSINESS

“Sing Along the Way (街頭音浪)”



“Sing Along the Way” is a music variety program that combines the elements of music performance and city tours. Several music artists traveled in a van and visited six cities in China, namely Shanghai, Chengdu, Xi’an, Hefei, Harbin and Qingdao, to scout talented musicians and perform for local communities. “Sing Along the Way” presented a wonderful journey where audience can appreciate the performances of rising music talent, enjoy beautiful city views and feel the interactions between the singers and the local communities.

“Sing Along the Way” was streamed on Youku in 2020, one of China’s leading online video platforms. We produced the “Sing Along the Way” under the commissioned production model.

BUSINESS

“King Cross 2020 (跨界歌王2020)”



“King Cross 2020” is a music competition show that features non-professional singers. It invites contestants from various backgrounds, such as actors, actresses and social media influencers. The participants received intense training during the production of the program, performed in front of the audience and competed against each other.

“King Cross 2020” is broadcast on Beijing Satellite TV, one of the Big Five Satellite TV Networks in China. It had an average viewership rating of 1.02% in 2020, ranking fifth in terms of average viewership rating at its timeslot. We produced “King Cross 2020” under the commissioned production model during the Track Record Period. “King Cross” is a series of variety programs broadcast on Beijing Satellite TV with five seasons aired from 2016 to 2020. We only produced its latest season, “King Cross 2020.”

In comparison, based on information published on tv.tv.hk, “Singing with Legends 2020,” “Singer 2020” and “Sing or Spin 2020” achieved an average viewership rating of 2.17%, 2.02% and 0.94% in 2020, respectively. All of these programs are music variety programs produced by other producers and initially broadcast in 2020. Each of these programs ranked in the top three among all music variety programs produced by other producers in 2020 in terms of average viewership rating.

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“IN China (中國潮音)”



“IN China” is a music competition show that features pop music with distinct Chinese elements. “IN China” invites various musicians to present music from a broad range of genres, including electronic, pop, rap and rock, and combine it with elements of traditional Chinese music, such as folklore and Chinese opera. Led by five well-known music artists, the participants competed to become the champion.

“IN China” was streamed on Youku in 2021, one of China’s leading online video platforms. We produced “IN China” under the commissioned production model.

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“Street Dance of China” (這!就是街舞)



“Street Dance of China” is a dance competition show featuring four captains and their respective four teams of street dancers. Through dance battles with various styles, techniques and influences, the show streamlines the winner through rounds of elimination. The stage of “Street Dance of China” welcomes contestants from all walks of life, with different personalities and embody many different styles, from old-school to new-school hip-hop, urban to locking, ballet to waacking. Young and old generations of street dancers come together to create and perform some of the most intricate pieces. With massive stars serving as captains and lending their influence and dance skills, the show has helped boost street dance to the mainstream.

“Street Dance of China 2018” is our first made-for-internet variety program and was streamed during the spring of 2018 on Youku, one of China’s leading online video platforms. It had a highly successful run with 1.7 billion accumulated views in 2018. Premiered in 2018, we have produced five seasons of “Street Dance of China,” which were all broadcast on Youku. Based on information published on Maoyan Professional, “Street Dance of China 2019,” “Street Dance of China 2020” and “Street Dance of China 2021” ranked first in terms of Maoyan Popularity among all made-for-internet variety programs broadcast on Youku in 2019, 2020 and 2021, respectively, as of the Latest Practicable Date.

We produced the “Street Dance of China” programs under the revenue sharing model during the Track Record Period.

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“Guess the Dancer!” (蒙面舞王)



“Guess the Dancer!” is a dance variety program that brings well-known actors, actresses, singers and social media influencers together to participate in dance performance. The participants will perform in front of an audience in costume to conceal their identity. A panel of well-known dancers, singers, actors and actresses, and the audience will work together to guess the identity of the performers. “Guess the Dancer!” is highly entertaining as the performers will perform a wide variety of different dances and the audience’s votes to determine the identity of the performers add an extra layer of excitement to the program. Audience is often intrigued to find out the hidden dance skills of the well-known performers. The well-known performers, in turn, often appreciate the opportunity to try out something different and foster closer connection with audience.

Premiered in 2020, we have produced three seasons of “Guess the Dancer!”, which were all broadcast on Jiangsu Satellite TV, one of the Big Five Satellite TV Networks in China. It has drawn many well-known performing artists to participate in the program and a large and loyal audience since its launch. It had an average viewership rating of 0.86% and 1.42% in 2020 and 2021, respectively, ranking third and fourth in terms of average viewership rating at its timeslot in the corresponding periods. We produced the “Guess the Dancer!” program under the revenue sharing model during the Track Record Period.

In comparison, based on information published on tvv.hk, “The Greatest Dancer” (舞者) and “Dance Smash 2020” (舞蹈風暴2020) achieved an average viewership rating of 1.36% and 0.34% in 2020, respectively. Both programs are dance variety programs produced by other producers and initially broadcast in 2020. Each of these programs ranked in the top two among all dance variety programs produced by other producers in 2020 in terms of average viewership rating.

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Shine! Super Brothers (追光吧!哥哥)



“Shine! Super Brothers” is a talent show featuring 21 male performing artists. The program follows the general formula of talent shows, but with the twist that participants are already well-known artists, or the “brothers.” In three months, the 21 “brothers” will practice and perform various singing and dancing skills on stage in front of the audience. The show is designed to showcase their courage and perseverance of the “brothers” in seeking career breakthrough.

Premiered in 2020, “Shine! Super Brothers” has drawn a lot of attention and aroused much discussion on the social media platforms. It is broadcast on Dragon Satellite TV and Youku, and has made history by being the first variety program whose initial broadcast was carried out simultaneously on a TV network and on an online video platform. Since 2020, we have produced two seasons of “Shine! Super Brothers.” We produced the “Shine! Super Brothers” programs under the commissioned production model during the Track Record Period.

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“China’s Got Talent” (中國達人秀)



“China’s Got Talent” is a talent show that features all kinds of performances of all ages competing for the opportunity to perform in the final round. Contestants perform in front of a panel of four judges, consisting of famous actors and actresses, singers, athletes and TV show hosts, as well as a live audience. The judges vote alongside the audience to decide whether the contestants will have the opportunity to enter the next round. “China’s Got Talent” attracts a large and loyal audience with its extremely inclusive format. There is no age minimum or maximum and every genre, including those that defy classification, is welcome onstage. Audience loves the show because it celebrates the beauty and talent of ordinary people: whatever the contestants do, they can have the opportunity to stand in the spotlight and proudly perform in front of a national audience, as long as they do it well.

Since 2012, we have produced two seasons of “China’s Got Talent,” which were broadcast on Dragon Satellite TV. It consistently ranked among the top five among all the variety programs at its time slot in terms of viewership and ranked third place in 2019. In 2019, it had an average viewership rating of 1.3%, ranking third in terms of average viewership rating at its timeslot. We produced the “China’s Got Talent” programs under the revenue sharing model during the Track Record Period.

In comparison, based on information published on tvtv.hk, “Beyond Show” (百變達人) and “Super Diva 2019” (媽媽咪呀2019) achieved an average viewership rating of 0.58% and 0.77% in 2019, respectively. Both programs are talent shows produced by other producers in 2019. Each of these programs ranked in the top two among all talent shows produced by other producers in 2019 in terms of average viewership rating.

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“Shifu Go Go Go! (出發吧,師傅!)”



“Shifu Go Go Go!” is a talent show that features taxi drivers. The program invites four judges, comprising of singer, dancer, stand-up comedian and TV show host, to give comments on contestants’ performances. “Shifu Go Go Go!” provides taxi drivers with a stage to showcase their talents and share their life stories. Audience can appreciate the acts as well as the moving moments in each of the contestants’ stories.

“Shifu Go Go Go!” was streamed on iQIYI, one of China’s leading online video platforms. We produced the “Shifu Go Go Go!” under the commissioned production model.

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“Likes! Talent (點贊!達人秀)”



“Likes! Talent” is a talent show that invites talent from all walks of life to participate and compete in the program. The program has four judges, comprising of well-known singer, actor, actress and TV show host, who commented on the performances of the participants. “Likes! Talent” aims to provide an opportunity for ordinary people to perform their talented acts in front of a nationwide audience and tell their inspiring life stories.

“Likes! Talent” was streamed on Douyin, one of China’s leading short video platforms, and simultaneously broadcast on Jiangsu Satellite TV, one of the Big Five Satellite TV Networks in China, in 2021. We produced “Likes! Talent” under the revenue sharing model.

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“A Class” (同一堂课)



“A Class” is a cultural variety program with a focus on Chinese culture and primary school students. The program invites cultural figures from various backgrounds and in different professions, such as authors, actors, actresses, singers, scholars, entrepreneurs and athletes, to teach Chinese lessons to primary school students. The teachers will interpret the stories behind the articles they teach from their own perspectives and explore the cultural roots with the students in different ways, such as singing, acting, storytelling, traveling and reenacting the history.

Since 2018, we have produced two seasons of “A Class,” which were broadcast on Zhejiang Satellite TV, one of the Big Five Satellite TV Networks in China. In 2019, it had an average viewership rating of 0.25%, ranking sixth in terms of average viewership rating at its timeslot. We produced the “A Class” program under the revenue sharing model during the Track Record Period.

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“The Great Wall” (了不起的長城)



“The Great Wall” is a cultural variety program that centers on the Great Wall of China. Seven celebrities, consisting of actors, actresses, singers, comedians and TV show hosts, join the program as “brick members” and form the “Great Wall Brick Group.” They are tasked with the mission to tour the history and present of the Great Wall and learn about the stories behind it. The “brick members” are tested on their physical strengths as well as brain power. During their travel, they are frequently tested on the history of the Great Wall and the “brick members” who got the answers wrong will have to face a series of funny punishments. The program combines the history of the Great Wall with the excitement of quizzing and punishing celebrities, making it both educational and entertaining.

Premiered in 2020, “The Great Wall” ranked third place in terms of TV viewership among all TV variety at its time slot. Broadcast on Beijing Satellite TV, a leading TV network in China, “The Great Wall” has aroused much discussion and has drawn a large and loyal audience since its airing. In 2020, it had an average viewership rating of 1.16%, ranking third in terms of average viewership rating at its timeslot. We produced the “The Great Wall” program under the commissioned production model during the Track Record Period.

In comparison, based on information published on tvtv.hk, “The Summer Palace” (我在頤和園等你), “Opening up to the Yee Lifestyle” (開啟頤式生活) and “Youth Periplous 2020” (青春環遊記2020) achieved an average viewership rating of 1.01%, 0.91% and 1.84% in 2020, respectively. All of these programs are cultural variety programs produced by other producers in 2020. Each of these programs ranked in the top three among all cultural variety programs produced by other producers in 2020 in terms of average viewership rating.

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Talk One on One (有一说一)



“Talk One on One” is a talk show that features conversations between a well-known figure, as talk show host, and pedestrians in each episode. Different from traditional talk shows, “Talk One on One” is filmed outdoors, in places such as cafes and parks. The talk show host in each episode will discuss, and sometimes debate, with the audience regarding hot topics in the society. Since its airing in 2021, “Talk One on One” quickly gained popularity because of its innovative program format and the featured choice of talk show hosts and conversation topics.

“Talk One on One” debuted in 2021 on Xigua Video, a leading Chinese online video platform owned by ByteDance. We produced two seasons of “Talk One on One” under the commissioned production model during the Track Record Period.

“Arrival of the Best-Seller!” (爆款來了)



“Arrival of the Best-Seller!” is an e-commerce variety program that is part variety show and part infomercial. The program invites people from different backgrounds, such as singers, TV show hosts and social media influencers, as contestants to introduce selected products to the audience. A panel of judges will choose the contestants for their team and lead their team members through multiple rounds of battles to test their ability to promote a product.

Since 2019, we have produced two seasons of “Arrival of the Best-Seller!” which was broadcast on Youku as a successful attempt in combing variety program with e-commerce.

We produced the “Arrival of the Best-Seller!” programs under the commissioned production model during the Track Record Period.

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Production of Multi-season Variety Programs

Whether we will consecutively produce multiple seasons of a program is affected by various factors, and we did not produce subsequent season for every program we produced. For example, we did not produce any subsequent season for “Chuang,” “Let’s Band,” “Sing Along The Way,” “King Cross 2020,” “IN China” and “Shifu Go Go Go!” during the Track Record Period. Factors that may affect our decision on whether to produce a subsequent season include, but are not limited to, changes in advertising clients’ demands and budget, shifts in audience preferences, availability of suitable program participants, changes in investing media platforms’ production budget, broadcasting plans and schedules, as well as changes in the overall economic environment.

Programs Released After the Track Record Period and Pipeline Programs

In 2022, there were five variety programs whose initial broadcast started after the Track Record Period and finished as of the Latest Practicable Date, including “E-POP of China (超感星電音),” “Sing! China 2022,” “Guess the Dancer! 2022,” “Street Dance of China 2022,” and “HAHA A Day (百川可逗鎮).”

The table below sets forth the details of the five variety programs whose initial broadcast started after the Track Record Period and finished as of the Latest Practicable Date.

<u>Genre</u>	<u>Program</u>	<u>Format</u>	<u>Release time</u>	<u>Completion time</u>	<u>Primary broadcasting platform</u>	<u>Cooperation model</u>
<i>Music Variety Program</i>						
1.	E-POP of China (超感星電音)	Music variety program featuring electronic music	July 2022	September 2022	Youku	Revenue sharing model
2.	Sing! China 2022	Music competition show for singers	August 2022	October 2022	Zhejiang Satellite TV	Revenue sharing model
<i>Dance Variety Program</i>						
3.	Guess the Dancer! 2022	Guess the dancer challenge	July 2022	September 2022	Jiangsu Satellite TV	Revenue sharing model
4.	Street Dance of China 2022	Street dance competition show	August 2022	October 2022	Youku	Revenue sharing model
<i>Talent Show</i>						
5.	HAHA A Day (百川可逗鎮)	Variety program featuring talents	August 2022	September 2022	Douyin	Commissioned production model

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As of the Latest Practicable Date, we had seven pipeline programs which we expect to release between the fourth quarter of 2022 and the second quarter of 2023. The table below sets forth the details of the programs.

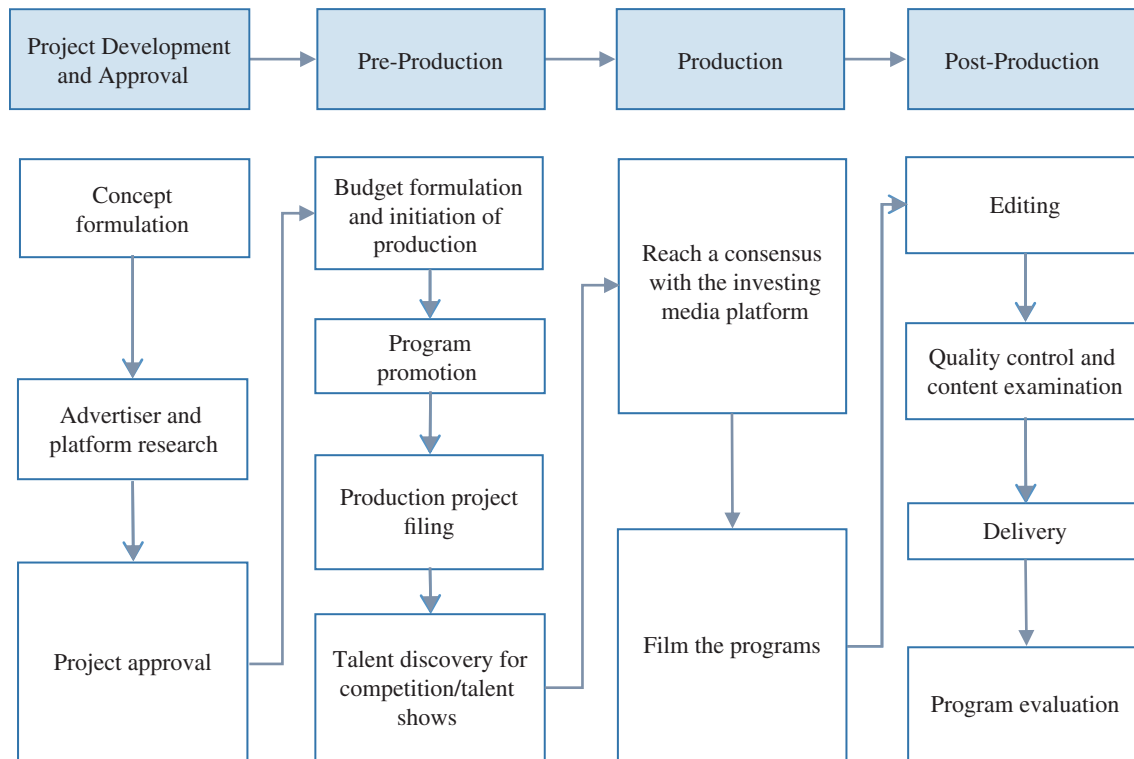
Genre	Program	Format	Expected release time	Expected completion time	Planned primary broadcasting platform	Expected cooperation model
<i>Music Variety Program</i>						
1.	Remember Me (百川樂時空)	Music variety program featuring singers	4th quarter 2022	4th quarter 2022	A top online video platform	Commissioned production model
2.	Guess the Singer! 2023	Guess the singer challenge	1st or 2nd quarter 2023	2nd quarter 2023 or after	A leading satellite TV network	Revenue sharing model
3.	Program A	Outdoor music and culture variety program	4th quarter 2022	1st quarter 2023	A top online video platform	Commissioned production model
<i>Dance Variety Program</i>						
4.	Great Dance Crew 2023	Dance variety program	1st quarter 2023	1st quarter 2023	A top online video platform	Commissioned production model
<i>Talent Show</i>						
5.	China’s Got Talent 2023	Talent show	1st quarter 2023	1st quarter 2023 or after	A leading satellite TV network	Revenue sharing model
6.	Program B	Outdoor variety program featuring talents	1st or 2nd quarter 2023	2nd quarter 2023 or after	A top online video platform	Commissioned production model
<i>Talk Show</i>						
7.	Program C	Talk show	4th quarter 2022 or 1st quarter 2023	1st quarter 2023 or after	A leading satellite TV network or a top online video platform	Revenue sharing model

As of the Latest Practicable Date, we were in active business negotiation with the investing media platforms with respect to the production and release of these pipeline programs. The program description, expected release date and other information related to our pipeline programs represent our best efforts to describe their status as of the Latest Practicable Date and are subject to changes. For details, see “Risk Factors — Risks Relating to Our Business and Industries — Information on our pipeline programs may not prove to be accurate or indicative of our future results of operations.”

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Production Process

In general, our production and operation process includes four stages, namely, the development and project approval stage, pre-production stage, production stage and post-production stage. The major stages and the time frame of our production and operation process are set out below.



Project Development and Approval

The development and project approval stage typically involves the following steps:

- *Concept Formulation.* We seek to develop concepts that are original, marketable and cater to the broader audience. To achieve this goal, we engage our business development team to research on the market demand and leverage our experienced in-house director’s team to formulate creative program concepts that can meet such demand.
- *Advertiser and Platform Research.* We generally have initial communications with media platforms, who intend to place advertisements in our variety programs, and advertising clients, which will distribute our variety programs, to pre-sell our variety programs at an early stage of content development. When a project moves beyond a conceptual stage, our business development team and our director’s team will start actively communicating with potential advertisers to understand their

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marketing objectives and tailor the program concept according to such objectives. Once we have found the most important advertiser for a program concept, usually the title sponsor, we will start negotiating the commercial terms with the investing media platform.

- *Project Approval.* Once we have reached a preliminary understanding with the investing media platform on the basic commercial terms of collaboration, the program concept will be internally assessed and approved. Our project approval committee will assess the marketability of the program concept and the expected profit before approving a project.

Pre-Production

The pre-production stage generally involves the following steps:

- *Budget Formulation and Initiation of Production.* After a program concept is approved, the director of the program will formulate a preliminary production budget and discuss it with the chief financial officer and the chief executive officer. Once they agreed with the preliminary production budget, the director of the program would then discuss with different parties such as distribution platforms and advertisers based on the preliminary production budget and the program concept. During the discussion, our director's team will prepare the program script, design major scenes and settings, and decide on the major cast members. For music and dance competition shows, our director's team will also be responsible for coordinating the talent discovery process and selecting the contestants that will participate in the program. The preliminary production budget and the program details will be reviewed and adjusted on a rolling basis depending on various factors, such as the availability of major cast members, and suggestions or requirements of distribution platforms or advertisers. Once the relevant parties have substantially agreed on the program details, the production budget would be revised accordingly. The final production budget would be co-signed by the director of the program and approved by the chief financial officer and the chief executive officer.
- *Program Promotion.* We actively promote our variety programs online before our programs broadcast to attract attention from target audience. We conduct interviews with and upload edited clips of the program to various media platforms. We also engage the investing media platform to carry out promotional activities both online and offline.
- *Production Project Filing.* The investing media platform on which the program will be broadcast is responsible for filing the production project with the local counterpart of the NRTA once a production project is officially initiated. During the Track Record Period, none of the variety programs we produced was subject to any adverse action by the NRTA.

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- *Talent Discovery.* For music competition shows, dance competition shows and talent shows, our director's team will, through our extensive network accumulated over the years, conduct multiple rounds of talent discovering events in addition to the pre-production process described above. We have built an extensive network through our business partners and contestants involved in previous seasons to help us identify emerging artists to participate in our competition shows as contestants. We will sign an agreement with each contestant individually, which typically provides that the contestant needs to attend all the production sessions as we may request and participate in marketing activities in association with the programs. Contestants will also grant us a worldwide, indefinite license to the recordings of their performance during the production of the programs.

We also invite established performing artists to serve as mentors in our competition shows or as guests/hosts for our non-competitive shows. Benefiting from our well-established brand and our track record of producing hit variety programs, our programs have a strong appeal to celebrities. We select suitable celebrities to feature in our variety programs and sign contracts with them, usually through talent coordination companies or the investing media platforms.

Production

Generally, the production stage begins when we start filming the programs after we reached a consensus with the investing media platform. During the production process, our directors give directions to the entire technical crew and oversee the artistic and technical elements of program production, in order to translate a concept into a completed program. Our operations team will work with the director's team to ensure that we can fulfill our contract obligations to the advertisers in the programs as negotiated.

Post-Production

The post-production and distribution stage generally involves the following steps:

- *Editing.* After principal photography is completed, the directors and the post-production team will select the scenes to assemble the final product. Our post-production professionals will perform a series of tasks, such as video and sound editing and adding special visual effects.
- *Quality Control and Content Examination.* Once the post-production work is completed, the investing media platform, the key personnel of our content production professionals and our senior executives will jointly conduct an overall evaluation of the content of the programs based on the applicable laws and regulations. Typically, the final say on program approval is owned by the investing media platform, either along or jointly with us.

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- *Delivery.* The delivery schedule is mutually agreed by the investing media platform and us. Typically, we will deliver the master tapes or transmit the signals of our variety programs on a rolling basis to the investing media platform, with remaining episodes of the season to be produced and delivered after the first episode airs. The investing media platform will send the program to the NRTA for approval before the program is released.
- *Program Evaluation.* After a program airs, we will closely monitor the performance of the program together with the investing media platform. In particular, we may adjust the program content, storyline, and shooting and editing method for the remaining episodes based on viewership data and feedback from viewers.

Media Platforms

We distribute our variety programs through major TV networks and leading online video platforms.

TV Networks

For commercial reasons, first run of a variety program is usually limited to satellite TV networks, which have a massive audience and cover almost every corner of the country. The Big Five Satellite TV Networks in China consistently broadcast some of the highest-rated TV variety programs during primetime hours, making their primetime advertising slots highly desirable.

We have fostered long-term cooperative relationships with four of the Big Five Satellite TV Networks in China over the past decade. Our “Sing! China” program, which we produced for and jointly invested in with Zhejiang Satellite TV, became an instant hit after its release. Other variety programs we produced such as “Guess the Singer!” and “China’s Got Talent” have also won national fame. Because of our ability to continually produce original content, our variety programs have repeatedly been broadcast during the primetime slots of the Big Five Satellite TV Networks in China and other satellite TV networks.

Online Video Platforms

Relatively new as compared to satellite TV networks, online video platforms have experienced fast growth in recent years. Traditionally, online video platforms source content by licensing streaming rights for popular variety programs from content production companies or TV networks, but their demand for original, made-for-internet variety programs is increasing as they compete with TV networks for audience. This demand has brought online video platforms to us for original content.

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We first produced “Street Dance of China 2018” on commission in 2018 for Youku, a leading online video platform, which became a phenomenal success for made-for-internet variety programs. We also produced “Talk One on One 2021,” an on-the-street talk show for Xigua Video, which is first of its kind and became an instant hit after its release. Built upon the success of these made-for-internet programs, we plan to expand our cooperation with online video platforms. Among 32 variety programs released during the Track Record Period, 20 of them were made-for-internet programs.

Among online video platforms, short video platforms in particular are vying to grab audience’s attention with fast content and have experienced explosive growth in recent years. In order to set up more channels to reach our target audience, we have worked with leading short video platforms in China, including Douyin and Toutiao, to set up our own channels and offer edited short-video clips of our variety programs. As of the Latest Practicable Date, our flagship channels on Douyin and Toutiao, “Sing! China” and “Canxing Music Show,” have gained more than 5.6 million and 1.7 million subscribers, respectively. We will continue building our cooperative relationship with short video platforms, in order to capitalize on their rapid growth and diversify our revenue source.

Cooperation Models

We typically carry out our cooperation with TV networks and online video platforms under two models: revenue sharing and commissioned production. Below is a description of the two models.

Revenue Sharing Model

Under the revenue sharing model, we jointly invest in a program with the investing media platform and are entitled to a portion of the advertising revenue of the program. Typically, both we and the investing media platform conduct sales and marketing for the program to generate advertising revenue from the sales of TV commercial slots, sponsorships and product placements.

Under the revenue sharing model, there are two types of arrangements: profit allocation arrangement and revenue allocation arrangement. Under the revenue sharing model, the investing media platforms are our customers. We are responsible for producing and delivering variety programs to the investing media platforms for broadcasting. Accordingly, the total production cost of the program is recognized as our cost of sales under both the profit allocation arrangement and the revenue allocation arrangement. The profit allocation arrangement and the revenue allocation arrangement are merely different methods of settlement with investing media platforms. Under the profit allocation arrangement, our revenue is composed of the portion of the revenue allocated to us and the payments made to us by the investing media platforms, the net result of which is a sharing of the net profit from the arrangement by the investing media platforms and us. We are able to negotiate revenue sharing arrangements with major TV networks and leading online video platforms, because of our strong brand effect and past track record. Among the 32 variety programs released during the Track Record Period, 15 of them were produced under the revenue sharing model.

BUSINESS

Under the revenue sharing arrangement, we enter into a contract with the investing media platform, which usually contains the following key terms:

- *Profit Allocation and Revenue Allocation.* Under the profit allocation arrangement, we are solely responsible for the production cost and our revenue is composed of the portion of the revenue allocated to us and the payments made to us by the investing media platforms, and the net result of which is a sharing of the net profit from the arrangement by the investing media platforms and us. Our percentage of profit typically ranged between 40% and 70% during the Track Record Period. In most cases, the profit allocation between the parties was 50-50 during the Track Record Period. Under the profit allocation arrangement, the payments that the investing media platforms made to us represent the platforms' consideration for our service, and are calculated by multiplying the total production cost of the variety programs by the investing media platforms' percentage of profit as set out in the respective contracts.

Under the revenue allocation arrangement where we are also solely responsible for the production cost, the percentage of the revenue we are entitled to typically ranged between 65% and 80% during the Track Record Period.

- *Revenue Pool.* In general, the revenue pool includes all revenue from advertising and sponsorship sales, such as titles sponsorships, affiliations, TV commercials and product placements. The amount of revenue to be shared by parties is usually determined and settled after the program is broadcast.
- *Cost Recovery.* Investing parties are typically entitled to recover their investment before any revenue is allocated.
- *Payment.* Under the profit allocation arrangement, the investing media platforms make their payments in installments as set out in the contract. The investing media platforms typically make 30% of their total payments to us within 15 working days after the signing of the contract, 30% after the initial broadcast of the first episode of the program and 30% after the initial broadcast of the first half of the program. After the completion of the initial broadcast of the program, parties will have an accounting of the production cost, and the remaining of the platforms' payments will be paid after the accounting process completes. With respect to revenue allocation, investing parties usually have the accounting and settlement of payments on a monthly basis after half of the program have been broadcast. This allocation process typically continues until parties have received all the proceeds from advertising customers and after all the revenue generated have been allocated between the investing media platforms and us.

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- Ownership of Intellectual Property Rights.* Intellectual property rights are allocated between parties on a case-by-case basis. If the investing media platform is a satellite TV network, the investing TV network owns the TV broadcasting rights to broadcast the program on satellite TV networks in the PRC. The internet broadcasting rights, which are the rights to license the program to online video platforms for streaming after it is first broadcast on TV, and the rights to produce and sell tie-in products are usually exclusively owned by us. If the investing media platform is an online video platform, the program will typically be broadcast online only and all internet broadcasting rights are owned by the investing online video platform. If the investing media platforms include both a satellite TV network and an online video platform, the initial broadcast of the program will take place on the TV network and the online video platform simultaneously, and all internet broadcasting rights are typically owned by the investing online video platform. The following table summarizes the ownership of broadcasting rights of the variety programs we produced under the revenue sharing model during the Track Record Period.

<u>Investing Media Platforms</u>	<u>Owner(s) for TV Broadcasting Rights</u>	<u>Owner(s) of Internet Broadcasting Rights</u>
TV Networks	TV networks ⁽¹⁾	Our group
Online video platforms	N/a	Online video platforms
TV networks and online video platforms	TV networks ⁽¹⁾	Online video platforms

(1) The investing TV networks own the TV broadcasting rights to broadcast the programs on satellite TV networks in the PRC. For a portion of our programs, we own the broadcasting rights to license these programs to airlines, overseas TV networks and non-satellite TV networks in the PRC.

- Termination.* Typically, either we or the investing media platform can terminate the agreement upon the counterparty’s material breach or the failure to cure thereof.

We calculate our expected profit based on the estimated advertising sales, the estimated production cost and the percentage of our revenue allocation. For programs where we own the internet broadcasting rights of the program, we will also consider the revenue generated from licensing the internet broadcasting rights in determining whether to undertake the project. We did not obtain external financing on a project basis during the Track Record Period.

During the Track Record Period, the contract size of our variety programs produced under the revenue sharing model, which is our program budget based on the contracts signed, ranged between RMB28.0 million and RMB375.6 million, with an average contract size of approximately RMB154.6 million and an average production duration of approximately four months. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material cost overrun or contract termination by the investing media platforms with our programs produced under the revenue sharing model. Certain of our variety programs produced under the revenue sharing model experienced a delay ranging from one to two months in their production and broadcasting schedules in 2020 and 2021, as compared to 2019, due to the negative effect of COVID-19 and the continuous measures to combat it. We did not experience any termination of contracts or programs under the revenue sharing model by investing media platforms during the Track Record Period.

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The primary source of the revenue of variety programs produced under the revenue sharing model is advertising sales and such revenue is recognized at a point in time when the variety program is transferred to and accepted by the investing media platform. For variety programs which we own the internet broadcasting rights, revenue from licensing of the internet broadcasting rights is recognized at the point in time when the licensed content is made available for the licensing partner’s use.

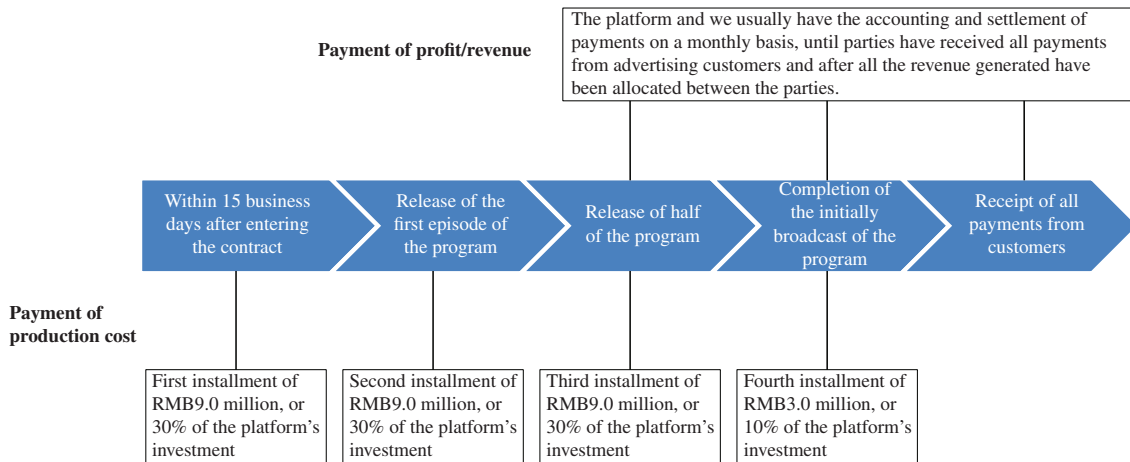
Below is a quantitative illustration of allocation arrangements with investing media platforms for variety programs under the revenue sharing model.

	<u>Profit Allocation</u>	<u>Revenue Allocation</u>
Revenue from advertising sales	RMB100.0 million	RMB100.0 million
Cost of production	RMB60.0 million (all borne by the Company during the production process)	RMB50.0 million (all borne by the Company during the production process)
Allocation percentage	<p>(a) Company: 50% of the revenue (RMB50.0 million) Platform: 50% of the revenue (RMB50.0 million)</p> <p>(b) Investing media platform agrees to pay the Company an amount equal to 50% of the cost of production (RMB30.0 million)</p>	<p>Company: 70% of the revenue (RMB70.0 million) Platform: 30% of the revenue (RMB30.0 million)</p>
Our accounting treatment	The Company recognizes revenue of RMB80.0 million ⁽¹⁾ and cost of sales of RMB60.0 million	The Company recognizes revenue of RMB70.0 million and cost of sales of RMB50.0 million

(1) Under the profit allocation arrangement, our revenue is composed of the portion of the revenue allocated to us, which is RMB50.0 million, and the payments made to us by the investing media platform, which is RMB30.0 million. The result is equal to the sum of the profit allocated to us, which is RMB20.0 million, and the total cost of production of RMB60.0 million.

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With respect to allocation of revenue or profit, the investing media platform and we usually have the accounting and settlement of payments on a monthly basis after half of the program has been broadcast. This allocation process typically continues until parties have received all the proceeds from customers and after all the revenue generated have been allocated between the investing media platforms and us. Under the profit allocation arrangement, the platforms also make their payments in installments as set out in the contracts. Below is an illustration of a typical payment process under the revenue sharing model, assuming that the total production cost is RMB60.0 million.



Commissioned Production Model

We also produce programs for TV networks by commission. Our commission is usually determined upon factors such as estimated production cost and our target profit margin, and is set out in the contract entered into by the investing media platform and us. When we work on a commissioned project, we develop and produce the variety program according to the specific requirements of the investing media platform in return for a fixed commission. We typically involve in the pre-production, production and post-production stages of the process. To a lesser extent, we may sometimes assist the investing media platform with project planning and development. Depending on the terms of the contract, the filming schedule, budget plan and major cast members may need to be approved by the investing media platform before principal photography starts.

Under the commissioned production model, the investing media platform is responsible for investing in, developing and distributing such programs. We receive a portion of the production fees in installments at an early stage, which helps us maintain our liquidity and ensures stability in revenue generation. When we first entered the made-for internet market in 2018, we cautiously chose to produce programs under the commissioned production model to ensure our revenue stability. As we have quickly established ourselves in the made-for-internet market and have fostered business relationships with customers, we also choose, after careful evaluation, to collaborate with online video platforms under the revenue sharing model from time to time, which potentially has more upside as compared to the commissioned production model. Among the 32 variety programs released during the Track Record Period, we produced 17 of them under the commissioned production model.

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We generally enter into a commissioned production contract with investing media platforms under the commissioned production model. In general, the contract will include the following essential terms:

- *Commission fee.* Our commission fee is set out in the agreement and usually comprises of: (i) the personnel cost of our directors and other content production staff; (ii) the cost of post-production editing; (iii) the cost for third-party procurements of lighting, setting, production equipment, rental for production studios, and hotel and traveling services; and (iv) the remuneration to well-established performing artists who will star in the programs. We typically determine the commission fee based on the costs we expect to incur for the production of our programs and our expected profit margin.
- *Payments.* Payments are generally made in installments, although payment milestones may vary from deal to deal. Typical payment milestones include the signing of the commissioned production contract, the completion of the production of a certain number of episodes, the completion of the production of the whole program, the initial broadcasting of the program, and the completion of the initial broadcast of the program. The percentage of down payment we received during the Track Record Period ranges between 7% to 40%, and the number of payment milestones ranges between two to four.
- *Right of First Refusal.* We are typically provided with a right of first refusal to co-invest with the investing media platform in the program's subsequent seasons under the revenue sharing model.
- *Ownership of Intellectual Property Rights.* In general, all intellectual property rights on the commissioned program are owned by the investing media platform, including the TV broadcasting rights and the internet broadcasting rights. The following table summarizes the ownership of broadcasting rights of the variety programs we produced under the commissioned production model during the Track Record Period.

<u>Investing Media Platforms</u>	<u>Owner(s) for TV Broadcasting Rights</u>	<u>Owner(s) of Internet Broadcasting Rights</u>
TV networks	TV networks	TV networks
Online video platforms	Online video platforms	Online video platforms
TV networks and online video platforms	TV networks	Online video platforms

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- *Termination.* Either we or the investing media platform is entitled to terminate the agreement upon the counterparty’s material breach or the failure to cure thereof. The investing platforms can also terminate the agreement without cause upon advanced notice, provided that the investing media platform shall pay us all production cost incurred.

During the Track Record Period, the contract size of our variety programs produced under the commissioned production model, which is our commission fee based on the contracts signed, ranged between RMB7.5 million and RMB99.0 million, with an average contract size of RMB36.6 million and an average production duration of approximately four months. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material cost overrun or contract termination by the investing media platform with our programs produced under the commissioned production model. Certain of our variety programs produced under the commissioned production model experienced a delay ranging from one to two months in their production and broadcasting schedules in 2020 and 2021, as compared to 2019, due to the negative effect of COVID-19 and the continuous measures to combat it. We did not experience any termination of contracts or programs under the commissioned production model by investing media platforms during the Track Record Period.

Revenue from the production of commissioned variety programs is recognized over time, using an input method to measure progress towards complete production of commissioned variety programs.

Variety Program IP Licensing

We further extend the audience reach of our variety program IPs and diversify our revenue source through IP licensing activities.

Licensing of Broadcasting Rights

We own the internet broadcasting rights for most programs we produced under the revenue sharing model with TV networks. We also own the broadcasting rights to license some of our variety programs to be broadcast on airlines, non-satellite TV networks in the PRC and overseas TV networks. We license the rights to various online video platforms, overseas TV networks and airlines both inside and outside China, as the popularity of our variety programs reaches beyond China’s borders. Having established an extensive licensing network, our variety programs were available in multiple countries, including China, the United States, Canada, Singapore, Malaysia and Qatar.

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The following table sets forth the programs we produced under the revenue sharing model during the Track Record Period.

No.	Program Name	Investing Media Platforms	Owner(s) of TV Broadcasting Rights	Owner(s) of Internet Broadcasting Rights
1.	CHUANG (這!就是原創)	Youku	–	Investing media platform
2.	Street Dance of China 2019 (這!就是街舞2019)	Youku	–	Investing media platform
3.	China’s Got Talent 2019 (中國達人秀2019)	Dragon Satellite TV	Investing Media Platform	Our group
4.	Guess the Singer! 2019 (蒙面唱將猜猜猜2019)	Jiangsu Satellite TV	Investing media platform	Our group
5.	Sing! China 2019 (中國好声音2019)	Zhejiang Satellite TV	Investing media platform	Our group
6.	A Class 2019 (同一堂課2019)	Zhejiang Satellite TV	Investing media platform	Jointly owned by investing media platform and our group
7.	Sing! China 2020 (中國好声音2020)	Zhejiang Satellite TV	Investing media platform	Our group
8.	Street Dance of China 2020 (這!就是街舞2020)	Youku	–	Investing media platform
9.	Guess the Dancer! 2020 (蒙面舞王2020)	Jiangsu Satellite TV	Investing media platform	Our group
10.	Guess the Singer! 2020 (蒙面唱將猜猜猜2020)	Jiangsu Satellite TV	Investing media platform	Our group
11.	Sing! China 2021 (中國好声音2021)	Zhejiang Satellite TV	Investing media platform	Our group
12.	Street Dance of China 2021 (這!就是街舞2021)	Youku	–	Investing media platform
13.	Let’s Dance! 2021 (師父! 我要跳舞了2021)	Youku	–	Investing media platform
14.	Guess the Dancer! 2021 (蒙面舞王2021)	Jiangsu Satellite TV	Investing media platform	Our group
15.	Likes! Talent (點讚!達人秀)	Douyin and Jiangsu Satellite TV	Investing media platform	Investing media platform

We generally enter into a licensing agreement with licensing partners under which the licensing partner agrees to pay us a fixed licensing fee for a specified term. The licensing fee is usually determined on factors including prior commercial arrangements, the market standard for the same type of variety programs and the expected level of popularity. The terms of such licenses vary case by case, with the average term ranging from two to three years. Payments of licensing fees are usually made in installments throughout the duration of a license. For certain programs, the investing TV networks have the right to receive part of the licensing fees we received from the licensees, depending on the allocation of IP rights under our revenue sharing arrangements with the TV networks.

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Licensing of Program Format

We also license our program format, which epitomize our originality and creativity. We licensed the program format of our “Sing My Song” variety program to a content production company in Vietnam, which is the first international adaptation of a Chinese variety program, setting a record in the Chinese variety program market. We also licensed the program format of our “Little Masters” (拜見小師傅) variety program to a Singaporean media company.

Licensing of the Right to Host Offline Entertainment Events

For music competition shows, dance competition shows and talent shows, there are separate offline entertainment events associated with them. These offline entertainment events are held both before and after the programs to provide the opportunities for audience to enjoy music and dance performances and interact with our managed artists.

The popularity of our offline entertainment events has drawn attention from corporate sponsors and advertising agencies alike. We granted our licensing partner the right to host the offline entertainment events in exchange for a fixed licensing fee. The licensing partner is responsible for organizing the events and has exclusive ownership of the advertising sales. Through these events, we are able to grow our audience base and diversify our revenue model.

Content Production and Operations Team

We have built a large in-house team of professionals for the successful creation of variety programs, including a director’s team, an operations team and a technical team. By combining the industry expertise and years of experience of the team members, we ensure that our programs are produced with high quality. Our content production team can be subdivided into four teams, which are set forth below.

Director’s Team

The success of our variety programs is built upon the high degree of professionalism and deep understanding of the entertainment industry of our directors. The director’s team is led by the well-recognized directors, including Mr. Jin Lei (金磊), Mr. Xu Xiangdong (徐向東), Ms. Shen Ning (沈寧), Mr. Wu Qunda (吳群達), Mr. Zhang Li (章驪), Mr. Wang Chenchen (王晨辰), Mr. Sun Ruiqing (孫瑞青) and Mr. Zheng Yi (鄭益), each with decades of experience in the entertainment industry and a proven track record. The program they produced, such as “Sing! China,” “Sing My Song,” “Street Dance of China,” “Guess the Singer!,” “China’s Got Talent,” have a profound influence on China’s variety program market. The above-mentioned directors are our employees and we have cooperated with them for over nine years on average. We have provided them with rich industry resources, such as the opportunities to direct super large variety programs, which is closely associated with their career success. In addition, they benefit from the professional support from our operations team and post-production team. Some of the directors were also among our management as of the Latest Practicable Date. Based on the above, our Directors believe that our relationship with the directors will remain relatively stable in the foreseeable future.

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We also actively cultivate talented people to join our director’s team. We have built up a system where established directors work side by side with new directors on the same projects, serving as mentors to the new directors. This mentoring system helps quickly acclimate new directors to the job and allows transfer of valuable skills and knowledge to the next generation of directors in the team.

As we produce many popular variety programs, such as “Sing! China” and “Street Dance of China,” new directors have unparalleled opportunities to learn, grow and take the lead. They have access to top-notch skills and industry resources in China’s variety program market, facilitating their growth. The fresh ideas, experience and enthusiasm brought by the new directors in turn inject new blood into our director’s team, which is critical for our capacity to continually create original content that caters to the younger audience. In recent years, we have seen more and more new directors taking a leading role in the creation of variety programs, such as Mr. Wang Chenchen and Mr. Zheng Yi. The table below sets forth some of our directors and the variety programs they produced.

Director	Programs
Mr. Jin Lei ⁽¹⁾	“China’s Got Talent” “Sing! China” “Brilliant Chinese — Path to Glory 2014” “Brilliant Chinese — Path to Glory 2015” and “Shine! Super Brothers”
Mr. Xu Xiangdong ⁽²⁾	“Let’s Shake It” “So You Think You Can Dance” (中國好舞蹈) “Guess the Singer!” and “Guess the Dancer!”
Mr. Lu Wei ⁽³⁾	“Brilliant Chinese — Path to Glory 2017” “Street Dance of China 2018” “Street Dance of China 2019” “Street Dance of China 2020” “Great Challenge” “Arrival of the Best-Seller!” and “Let’s Dance!”
Ms. Shen Ning ⁽⁴⁾	“China’s Got Talent” “Sing! China” “Sing My Song 2017” “Little Masters (拜見小師父)” “Let’s Band” and “Sing Along the Way”
Mr. Wu Qunda ⁽⁵⁾	“China’s Got Talent” “Sing! China” “Sing My Song 2015”, “CHUANG” and “King Cross 2020”
Mr. Zhang Li ⁽⁶⁾	“Super Star Singer — Road to Grammy (中國之星)” “Brilliant Chinese — Path to Glory 2015,” “SING! KIDS” (歌聲的翅膀) “Rave Now” “China’s Got Talent” “Shifu Go Go Go!” and “Shine! Super Brothers”
Mr. Wang Chenchen ⁽⁷⁾	“Guess the Singer!” (as executive director) and “Street Dance of China” (as head writer)
Mr. Sun Ruiqing ⁽⁸⁾	“Jin Xing Show” and “Miao Fu Show”
Mr. Zheng Yi ⁽⁹⁾	“A Class” “The Great Wall” and “Talk One on One 2021”

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- (1) Mr. Jin Lei directed one, two and one of our variety programs in 2019, 2020 and 2021, respectively. He has been working with us for approximately 10 years.
- (2) Mr. Xu Xiangdong directed one, two and one of our variety programs in 2019, 2020 and 2021, respectively. He has been working with us for approximately 10 years.
- (3) Mr. Lu Wei directed three, three and four of our variety programs in 2019, 2020 and 2021, respectively. He has been working with us for approximately 10 years.
- (4) Ms. Shen Ning directed one, one and one of our variety programs in 2019, 2020 and 2021, respectively. She has been working with us for approximately 10 years.
- (5) Mr. Wu Qunda directed two, three and one of our variety programs in terms of revenue contribution in 2019, 2020 and 2021, respectively. He has been working with us for approximately 10 years.
- (6) Mr. Zhang Li directed two, one and two of our variety programs in terms of revenue contribution in 2019, 2020 and 2021, respectively. He has been working with us for approximately 10 years.
- (7) Mr. Wang Chenchen directed two, three and two of our variety programs in 2019, 2020 and 2021, respectively. He has been working with us for approximately nine years.
- (8) Mr. Sun Ruiqing participated in screenwriting for several of our variety programs during the Track Record Period. He has been working with us for approximately nine years.
- (9) Mr. Zheng Yi directed two, two and three of our variety programs in 2019, 2020 and 2021, respectively. He has been working with us for approximately seven years.

As most of our variety programs, especially super large programs are co-directed by a team of experienced directors, we do not place reliance on any particular director to produce a certain variety program. In addition, we are dedicated to building a stable talent pipeline to train and promote more talented directors. We continue to recruit new directors, letting them participate in the production of our popular variety programs and work alongside the more experienced directors.

Operations Team

Our operations team is responsible for business development and operations of our entertainment IPs. Our experienced business development team has fostered long-term cooperative relationships with a broad array of well-known domestic and international brands in various sectors. They also conduct regular visits to our existing customers and work closely with our director's team to attract new customers. Leveraging the successful track record and great industry reputation of our renowned directors, our business team has successfully attracted a wide selection of advertising clients for our variety programs. Serving as the contact point for directors, media platforms and advertising clients, they coordinate the production and promotion of our variety programs.

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The strong IP operation capabilities of our operations team are essential to the successful commercialization of our entertainment IPs and enable us to maintain a competitive advantage. We continuously create, develop and build cooperative relationships with business partners based on our IPs, in areas such as licensing of the right to host offline entertainment events, artist management, and arts training and education. The extensive cooperation in turn enhances the commercial value of our variety programs. Benefiting from the strong IP operation capabilities of our operations team, we are able to explore additional monetization opportunities and further promote our entertainment IPs.

Technical Team

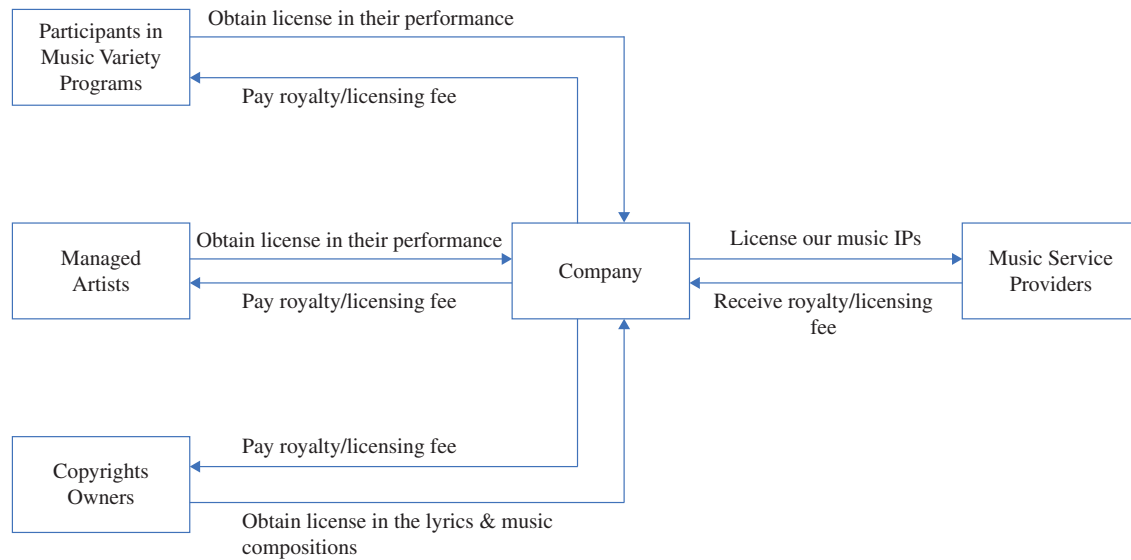
We have built and maintained a large and dedicated technical team to ensure that we have maximum control over the production and post-production editing process. Unlike many content development companies that rely heavily on outsourcing, we engage our in-house technical crew for our variety programs. Our in-house team works with a project from its start till completion and knows all the details of a program, enabling them to work on a deep level of understanding. Having worked with our director's team for years, our in-house technical crew are best positioned to implement the ideas of the directors. The professionalism of our in-house technical crew and their frictionless communications with the director's team is our core competitiveness.

Our technical team include technical directors, art directors, camera operators, lighting crew, production designers, audio technicians and sound recording experts. A variety of patents created by the technical team in lighting and stage have become the highlights of our variety programs. Once production is wrapped up, all the footage and assets will be brought to our post-production professionals for editing. Our highly professional post-production professionals will be responsible for assembling footage shot by shot, adding music and subtitles, and incorporating other visual and sound effects. All these elements will be woven together to create a multisensory experience for the audience after the post-production workflow.

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Music IP Operation and Licensing

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



The following table sets out a breakdown of our revenue generated from music IP operation and licensing by customer type for the periods indicated.

	For the year ended December 31,						For the six months ended June 30			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except for percentages)</i>									
	<i>(unaudited)</i>									
Online music platforms	207.7	86.9%	180.9	83.3%	76.9	65.0%	25.3	56.1%	9.1	46.8%
Media companies ⁽¹⁾	4.2	1.7%	4.8	2.2%	4.5	3.9%	2.2	4.9%	1.0	5.2%
Karaoke operators	27.2	11.4%	31.6	14.5%	36.9	31.2%	17.6	39.0%	9.4	47.9%
Total	239.1	100.0%	217.3	100.0%	118.3	100.0%	45.2	100.0%	19.5	100.0%

(1) Media companies include mobile value-added services providers and other companies that provide cultural or media service.

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During the Track Record Period, our revenue generated from music IP operation and licensing decreased by 9.1% from RMB239.1 million in 2019 to RMB217.3 million in 2020, primarily because (i) we produced “CHUANG,” a super large music variety program in 2019, and generated licensing revenue from the music recordings produced during the program; but we did not produce any subsequent season of this program in 2020; (ii) we produced less music recordings for “Guess the Singer!” program in 2020 than in 2019, primarily due to a delay in the production and broadcasting schedule of “Guess the Singer! 2020” under the negative effect of COVID-19. Such decreases were partially offset by an increase in our licensing revenue generated from licensing our existing music IPs. Our revenue generated from music IP operation and licensing decreased by 45.6% from RMB217.3 million in 2020 to RMB118.3 million in 2021, primarily because (i) we did not produce any music IPs in relation to “Guess the Singer!” in 2021; (ii) there was a decrease in the licensing fee for the music IPs we produced during the production of “Sing! China 2021;” and (iii) we entered into a multi-year, music IP licensing agreement with a major online music platform in 2020 and recognized licensing revenue of approximately RMB18.8 million in the same year. Our revenue generated from music IP operation and licensing decreased by 56.9% from RMB45.2 million for the six months ended June 30, 2021 to RMB19.5 million for the six months ended June 30, 2022, primarily due to a decrease in the number of music IPs we delivered as we did not produce any music variety programs in the six months ended June 30, 2022, while we produced music IPs in relation to the last two episodes of “Guess the Singer! 2020” in the same period in 2021.

Among our revenue generated from music IP operation and licensing, our revenue generated from online music platforms decreased from RMB207.7 million in 2019 to RMB180.9 million in 2020, and further decreased to RMB76.9 million in 2021. Such revenue decreased from RMB25.3 million in the six months ended June 30, 2021 to RMB9.1 million in the same period in 2022. The reasons of the decreases in our revenue from online music platforms were the same as the reasons for the decreases of our total revenue generated from music IP operation and licensing. Among our revenue generated from music IP operation and licensing, our revenue generated from karaoke operators increased from RMB27.2 million in 2019 to RMB31.6 million in 2020, and further increased to RMB36.9 million in 2021. Such increases were mainly due to an increase in compensation we received from lawsuits against other karaoke operators to defend our music IPs, which was recognized as our revenue as such compensation represents charges for the unlicensed use of our music IPs, in line with our revenue recognition policy. Our revenue generated from karaoke operators decreased from RMB17.6 million in the six months ended June 30, 2021 to RMB9.4 million in the same period in 2022 mainly as our previous exclusive music licensing contract with a karaoke operator was terminated in January 2022 and we entered into new non-exclusive music licensing contracts with it as well as several other karaoke operators, and some of the new music licensing contracts only came into effect in the second half of 2022.

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Music IP Library

We offer a diverse range of recorded music content which we license to various customers. As of June 30, 2022, our music library contains 8,549 music IPs, consisting of (i) audio-visual recordings of live performances produced during the creation of our music variety programs, (ii) audio-visual recordings produced for our managed artists, and (iii) lyrics and music compositions we licensed or acquired. The songs in our music IP library represent a variety of themes such as latest top hits, time favorites and movie soundtracks. They cover a broad range of music genres, including pop, rock, hip hop, R&B, jazz and electronic music in various languages, including Mandarin, Cantonese and English.

The following table sets out the breakdown of the number of our music works and their movements in our music library during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
Number of audio-visual recordings produced during the creation of our music variety programs ⁽¹⁾	3,112	3,342	3,546	3,546
Number of audio-visual recordings produced for our managed artists ⁽²⁾	2,384	2,707	3,016	3,158
Lyrics and music compositions licensed or acquired ⁽³⁾	1,574	1,713	1,960	1,845
Total number of music IPs at the end of the year/period	7,070	7,762	8,522	8,549

- (1) In producing music variety programs, we record and edit the live performances by the participants during the production of the programs. Participants refer to those artists who participated in and performed during the production of our music variety programs, such as “Sing! China,” “Guess the Singer!” and “Sing My Song.” Before the program is filmed, we will secure a license of the lyrics and music compositions of the songs that will be performed during the program from the copyright holders, typically large music recording companies, for a fixed license fee. We will also secure a license from the participants of the exclusive right in the recording of their performance, usually with an indefinite term. The licenses from the copyright owners and the contestants typically allows us to use the lyrics, music compositions and performance in a specific program and for uses related to such program.

Our music production team will record the performance during the production of the variety programs and create a finished version in the form of audio-visual recordings. We own the rights in such recordings and license them to music service providers for purposes such as streaming and downloading, usually for a fixed minimum guaranteed amount plus revenue sharing arrangements.

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- (2) We produce songs and albums for artists who have entered into an artist management contract with us. Our music production team will procure original lyrics and music compositions, usually music works that haven't been published, for each managed artist based on their vocal prowess and characteristics. We will secure a license of such lyrics and music compositions from the copyright owners, such as large music recording companies, independent music studios or our managed artists who are also songwriters. We will also secure an exclusive license in the recording of the artists' performance, usually for an indefinite term. We typically pay the copyright holders in the form of a fixed licensing fee and the managed artists in the form of royalties.

Our music production team will help the managed artists record their songs and albums in studio and produce a finished version. We own the rights in the audio-visual recordings and license them to music service providers for purposes such as streaming and downloading, usually for a fixed minimum guaranteed amount plus revenue sharing arrangements.

- (3) We license lyrics and music compositions from multiple sources such as large recording companies and independent music studios. Such licenses are usually non-exclusive and are typically for a fixed term or on a project basis. Many of our managed artists and contestants in our music variety programs are also songwriters themselves and grant us an exclusive license on the lyrics and music compositions they created, either for a fixed term or an indefinite term.

We typically own the right to sub-license the lyrics and music compositions in our music IP library to music service providers, usually for a fixed minimum guaranteed amount plus revenue sharing arrangements.

Copyright Ownership

As a completed music work comprises lyrics, music composition and artist performing the combination of the foregoing, in our process of music production, we, as the producer, would first obtain the copyright or license from the music providers, comprising of the lyricists, music composers and performers.

Before we commence the recording of a music work, we shall first obtain the copyright in the lyrics and the music compositions from copyright holders, such as large music recording companies and independent music studios. To a lesser extent, we also obtain copyright in lyrics and music compositions from our managed artists and program participants who are also songwriters. We shall also obtain the copyright in the recording of the performance of the music work from the program participants, if the music work is produced for a variety program, or from our managed artists, if the music work is produced for him or her. With the consents from the relevant parties, we can start the production process and produce a completed music work that combines lyrics, music compositions and performance. Upon completion of the music work, we will be the sole copyright owner of such completed music work.

As the producer of the completed songs and music videos, we have the right of producer of audio and video recordings, which allows us to grant our customers the right to replicate, publicize, or transmit the completed songs and music videos to the public through information networks and receive remuneration. Program participants and our managed artists, whose performance is recorded in the completed music works, enjoys the right of performer, which entitles them to be identified as the performer, license us their performance to make audio and video recordings, and obtain remuneration pursuant to the contract they entered with us. The copyright holders of the lyrics and compositions have the right to license us the lyrics and music compositions to make audio and video recordings and obtain remuneration pursuant to the contract they entered with us. For detail, please see “Regulations — Regulations in relation to intellectual property — Copyright.”

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Music Providers

Our music providers include copyright holders of lyrics and music compositions, participants in our music variety programs and our managed artists. The details of our contract with them are set forth below.

Copyright Holders of Lyrics and Music Compositions

We maintain long-term and good working relationships with approximately seven to ten large music recording companies during the Track Record Period. To a lesser extent, we also acquire licenses from independent music studios and songwriters. During the Track Record Period, we collaborated with over 100 independent music studios and songwriters. Below is a summary of the salient terms in our licensing contracts with them:

- *Scope of License.* The copyright holder typically agrees to grant us a non-exclusive license on the copyrights it owned in the music works set out in the agreement, including copyright in lyrics and music compositions. Under the license, we are granted various right, including the network transmission right, which enables us to license our music works produced based on the lyrics and music compositions to our customers. The copyright holder may limit our use of the lyrics and music compositions to a certain purpose, such as the production of music works for our variety programs or our managed artists.
- *Term of the License.* The license is usually for an agreed term, which ranges from one year to three years.
- *Licensing Fee.* Typically, the copyright holder charges us a one-off, fixed licensing fee for each song it licensed. The total amount of the licensing fee is determined by the number of the songs licensed, the licensing fee for each licensed song, and the percentage of ownership the copyright holder owns in each song. During the Track Record Period, the licensing fee typically ranged between RMB10,000 and RMB80,000 per song during the license period.
- *Copyright in Completed Works.* With respect to the completed music works we produced based on the licensed lyrics and music compositions, we enjoy the right of audio-video producer. As the producer of the completed songs and music videos produced by us, we exclusively enjoy the proprietary right attached to them, such as information network transmission right, the right of reproduction, right of publication, whereas the copyright holder is entitled to the right to receive remuneration as agreed with us.
- *Termination.* Parties can terminate the contract early upon material breach of the other party.

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Program Participants

During the Track Record Period, we produced 514, 230, 204 music recordings of the live performances of program participants during the production of our variety programs in 2019, 2020 and 2021, respectively. We did not produce any program music recordings in the six months ended June 30, 2022, as all of our music variety programs are scheduled to be produced and broadcast in the second half of 2022. Below is a summary of the salient terms in our contracts with them:

- *Scope of License.* Upon participation in the production of our variety programs, program participants shall exclusively license the copyright in the music works that incorporate his or her performance during the production of the variety program to us.
- *Copyright in Completed Works.* With respect to the completed music works we produced based on the participant's performance of the songs, we enjoy the right of audio-video producer. As the producer of the completed songs and music videos produced by us, we exclusively enjoy the proprietary right attached to them, such as information network transmission right, the right of reproduction, right of publication, whereas the participant is entitled to the right of performer, and the right to receive remuneration as agreed with us. Participants typically grant us an exclusive license in the recording of their performance for an indefinite term for free.
- *Copyright in Lyrics and Music Compositions.* As the producer, we are responsible for obtaining the license in the lyrics and compositions that will be performed by the participants in the variety program. For participants who are also the copyright holder of the lyrics and music compositions to be performed, we would typically obtain a license from the participants to use the lyrics and music compositions in the performance and the completed music recordings. Such license is typically for an indefinite term and for free.
- *Term of the Contracts.* In general, contracts with variety program participants do not have a specific term. Pursuant to the contracts, participants usually agree to participate in the production of a specific variety program and attend all promotional work in association with the program, during the production process.
- *Termination.* We have the right to unilaterally terminate the agreement.

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Managed Artists

During the Track Record Period, we had 162, 159, 157 and 154 managed artists and produced 295, 323, 309 and 142 music recordings for them in 2019, 2020, 2021 and during the six months ended June 30, 2022, respectively. Below is a summary of the salient terms in our artist management contract with them:

- *Scope of License.* For artists who entered an artist management contract with us, they shall grant us an exclusive license in their copyright in the music works produced during the term of the artist management contract, including songs and music videos, that incorporate his or her performance.
- *Copyright in Completed Works.* With respect to the completed music works we produced based on the artist’s performance of the songs, we enjoy the right of audio-video producer. As the producer of the completed songs and music videos produced by us, we exclusively enjoy the proprietary right attached to them, such as information network transmission right, the right of reproduction, right of publication, whereas the artist is entitled to the right of performer and the right to receive remuneration as agreed with us. The artists typically grant us an exclusive license in the recording of their performance for an indefinite term. The artists are entitled to receive royalties from us, which were typically 10% of the licensing revenue we generated from the license.
- *Copyright in Lyrics and Music Compositions.* For the artist who is singer-songwriter, thus copyright holder of lyrics and music compositions, we would also obtain an exclusive license in the lyrics and music compositions for an indefinite term. The artist has the right of authorship and the right to receive royalties from us, which were typically 50% of the licensing revenue we generated from the license.
- *Term of Artist Management Contract.* Typically, the term of the artist management agreements is nine years. We have a right of first refusal to renew the contract after it expires.
- *Termination.* We can terminate the contract if the artist commits a breach.

Our PRC Legal Advisor is of the view that the risks relating to claims of ownership of music works by our music providers that will materially affect our Group’s operation and financial performance are remote, because we have put continuous efforts and implemented internal policies during the production of our music works to avoid potential infringement on third party’s intellectual property rights, and have set up task forces within our legal team and music production team to oversee the intellectual property issues during our daily operation. For more details about our internal control measures in relation to music IP management, see “— Risk Management and Internal Control Systems — Regulatory Compliance Risk Management” and “— Risk Management and Internal Control Systems — Legal Risk Management.”

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During the Track Record Period and up to the Latest Practicable Date, there were eight instances where copyright holders initiated lawsuits against us for copyright infringement in relation to the music artwork used in the variety programs we produced. Two of the eight lawsuits have been closed in settlement or in favor of us as of the Latest Practicable Date, and the settlement payment involved was RMB15,000 in total. In the six pending lawsuits, we were sued as a co-defendant with satellite TV networks and/or broadcasting platforms in relation to two music IPs, and the claims were RMB4.8 million in total. The lawsuits are immaterial to our Group as a whole.

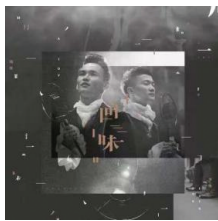
Taking into consideration our implemented internal control measures, the insignificant amount of claims of the music IP related disputes during the Track Record Period and our Group’s financial condition, our PRC Legal Advisor is of the view that the risks related to claims of ownership of music works by music providers that may materially affect our Group’s operation and financial performance are remote. For more information, see “Regulations — Regulations in relation to intellectual property.”

Notable Music IPs

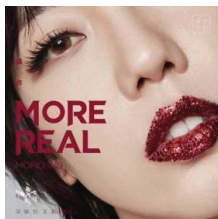
The following is a selective list of the notable music IPs we produced:



Artist: Ms. Wu Mochou (吳莫愁)
Title of the work: “The 90’s Power” (90後力量)
Type: Album
Publish date: July 2015



Artist: Mr. Zhou Shen (周深), Mr. Li Wei (李維)
Title of the work: “Aftertaste” (回味)
Type: Album
Publish date: Aug 2015



Artist: Ms. Wu Mochou (吳莫愁)
Title of the work: “More Real” (造作)
Type: Album
Publish date: Dec 2017

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Artist: Ms. Curley G (希林娜依·高)
Title of the work: "Season of Particles" (顆粒季)
Type: Single
Publish date: July 2018



Artist: Mr. Jiang Dunhao (蔣敦豪)
Title of the work: "Youth • Secrets" (少年•心事)
Type: Album
Publish date: August 2018



Artist: Mr. Zahi Bing Zo (紮西平措)
Title of the work: "Sing My Song" (唱一首自己的歌)
Type: Single
Publish date: March 2019



Artist: Mr. Zhou Shen (周深)
Title of the work: "When All Sails Are Gone" (過盡千帆)
Type: Single
Publish date: November 2019



Artist: Ms. Wu Mochou (吳莫愁), Mr. Li Qi (李琦), Mr. Zhang Hengyuan (張恒遠), Mr. Yu Feng (余楓), Mr. Xia Heng (夏恒), Mr. Wang Xiaotian (王曉天), Ms. Guo Qin (郭沁), Mr. Jiang Dunhao (蔣敦豪), Mr. Zahi Bing Zo (紮西平措), Mr. Danzeng Nima (旦增尼瑪), Ms. Xing Hanming (邢晗銘) and Ms. Mamcù (斯丹曼簇)
Title of the work: "The World Wakes For You" (世界為你醒來)
Type: Single
Publish date: February 2020

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Artist: Mr. Zhou Shen (周深)
Title of the work: “Hint” (暗示)
Type: Single
Publish date: April 2020



Artist: Mr. Za Xi Ping Cuo (紮西平措)
Title of the work: “Clouds” (雲)
Type: Single
Publish date: October 2020



Artist: Ms. Huang Xiaoyun (黃霄雲)
Title of the work: “Huang XiaoYun’s Neverland” (黃霄雲的 NEVERLAND)
Type: Album
Publish date: November 2020



Artist: Mr. Zhang Lei (張磊)
Title of the work: “No Sail” (無帆)
Type: Single
Publish date: May 2021



Artist: Ms. Xing Hanming
Title of the work: “Dream” (夢)
Type: EP
Publish date: May 2021

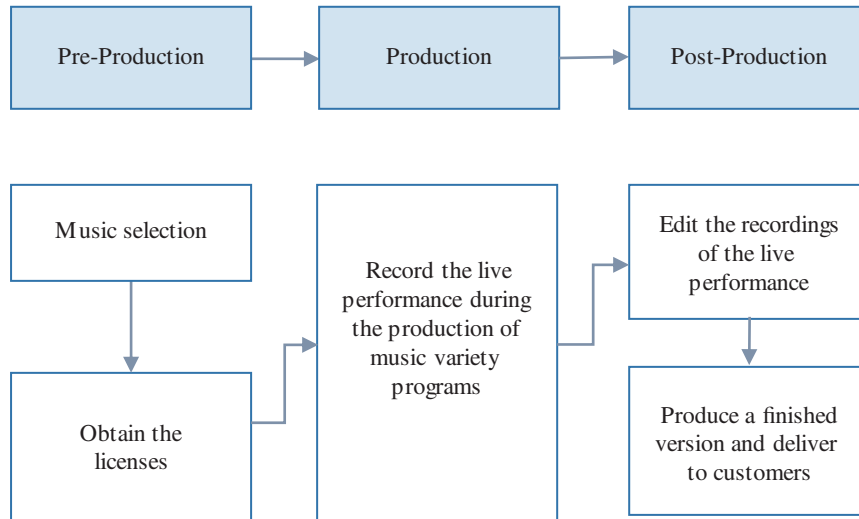
Production and Licensing

We have established a professional music production team to continually expand and diversify our music IP library. We license our music IPs to various music service providers, including leading online music platforms and karaoke operators. Our production of music IPs falls under two categories: the production of audio-visual recordings during the creation of our music variety programs and the production of audio-visual recordings for our managed artists.

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Audio-visual Recordings Produced During the Creation of Our Music Variety Programs

In creating music variety programs, such as “Sing! China,” “CHUANG” and “Sing My Song,” we have produced audio-visual recordings of the live performances of the contestants.



Pre-Production

The pre-production stage generally involves the following steps:

- *Music Selection.* In determining which songs to be performed by the participants in a music variety program, our director’s team will work together with the participants, the coaches and the online music platforms. The insights of the parties coupled with the assistance of our highly experienced in-house music production team enable us to help the participants choose the most appealing songs for the variety programs.
- *Obtain the Licenses.* After we determine which songs to use for the music variety programs, our music IP team within the legal department will work to obtain a license from the copyright owners to use the lyrics and the music compositions, as well as a license from the participants of the rights in their performance.

Production

During the production of the music variety programs, the recording engineers from our music production team will set up recording equipment and record the songs performed by the participants for post-production editing. Our music production team will monitor the whole production process to ensure the quality of the recordings.

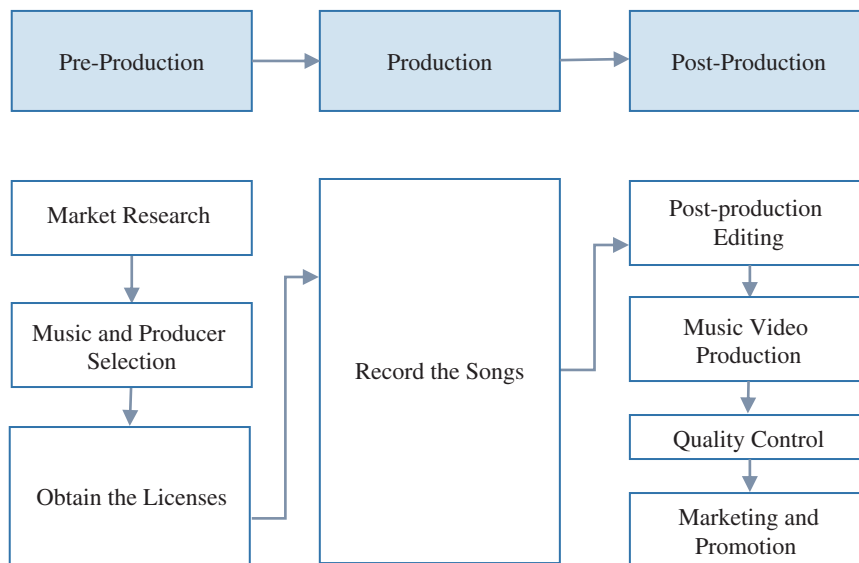
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Post-Production

On the post-production stage, the sound engineers will edit the recordings of the live performance to lower the background noises in the recording, reduce difference between the loudest and quietest parts, and adjust and enhance the volume level, dynamics, and panoramic position during the process. This practical and aesthetic editing process is required to enhance the quality of the recordings and produce a finished version that is appealing to listeners. After the post-production editing is completed, we will deliver a finished version of the audio-visual recordings to our customers.

Audio-visual Recordings Produced for Managed Artists

In addition to the music IPs produced during the creation of our music variety programs, we produce original albums and singles for our managed artists.



Pre-Production

The pre-production stage generally involves the following steps:

- *Market Research.* Before we initiate a music production project, our music production team will conduct extensive research on the market trends and the styles and characteristics of our managed artists, and formulate a preliminary project plan. After they identified the managed artist, the producer, the music genre and the distribution channels that suit the plan, the music production team will initiate the project.

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- *Music and Producer Selection.* Our music production team will assist our managed artists in finding and selecting potential songs to record. We leverage our close connection with well-respected recording companies and independent music studios and songwriters to procure original music works for our artists. In the meantime, many of our managed artists are also songwriters themselves.
- *Obtain the Licenses.* Pursuant to the artist management contracts we entered with our managed artists, we have an exclusive license on their performance. Many of them also grant us an exclusive license on the lyrics and music compositions they created. If lyrics and music compositions are created by third-parties, or if the recordings are based on existing songs, our music IP team will negotiate and obtain the necessary license from the third-party copyright owners.

Production

After the songs are selected, our managed artists will work with our music production team or third-party producers to create a sample recording of the music, called a music demo. Our music production team will further arrange the verses and chorus in the demo by selecting the instruments playing in each section. After the arrangement is completed, the artists will work with our music production team to record the songs.

Post-Production

- *Post-production Editing.* During post-production, our sound engineers will edit the performance as well as various instruments that are used to perform a song. They will perform a series of tasks such as editing and mastering. They also constantly experiment with various post-editing techniques to optimize the effects.
- *Music Video Production.* In cases where customers ask for a video recording, the artists will work jointly with the producers, our music production team and our content production team to jointly produce the video content. Our experienced directors and scenarists will come up with the scripts and create the video with the help of our cinematographers. Our post-production team will complete the work by combining the video content and the music.
- *Quality Control.* Our music production team, the artists and the producers will work jointly and carefully to assess the quality of each recording before they are delivered to the customers.
- *Marketing and Promotion.* We also work with the artists to create various marketing materials, such as album cover, portrait shots, posters and advertorials and deliver them to the customers together with the finished version of the audio-visual recordings and the music videos. We also work with the customers to promote the music works through a wide variety of channels, including short video platforms and social media platforms after the delivery.

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Licensing to Music Service Providers

We have established long-term cooperation relationships with leading online music and audio entertainment platforms in China, such as TME, NetEase Cloud Music and Migu Music, as well as mobile value-added services providers in connection with the digital distribution of our music IPs. We enter into license agreements to make our music available for access in digital formats, such as streaming, downloads and/or ringtones. As we license the music IPs to our customers, we will receive a fixed fee or royalty fee based on their usage on a case-by-case basis. We typically receive accounting from customers on a quarterly basis, detailing the distribution activity.

Key terms of our licensing agreements with online music platforms include:

- *Licensed right.* We typically grant our IP licensing partners a non-exclusive license to display or otherwise use our music IPs for streaming, downloads and/or ringtones. The music works we license usually include those already exist in our music IP library and those that will be produced, licensed or acquired by us during the term of the license.
- *Term.* The term of our licensing agreements typically ranges from two to five years, which may be extended upon the agreement of both parties.
- *Fee arrangement.* We typically receive a fixed minimum guaranteed licensing fee plus performance-based licensing fee from our music IP licensing partners. The fixed minimum guaranteed licensing fee is usually paid in installments, which are collected upfront at the signing of the licensing agreement and/or annually during the term of the agreement. The performance-based licensing fee varies case by case, usually based on factors such as the subscription fee and the number of plays or downloads.

During the Track Record Period, we had only generated revenue from fixed minimum guaranteed amount, the amount of which typically ranged from RMB30 million per contract to RMB80 million per contract.

- *Intellectual property rights.* We typically own and license our rights in the audio-visual recordings to our music IP licensing partners, as well as our rights in the lyrics and music compositions we licensed or acquired from the copyright owners.
- *Termination.* Either we or our IP licensing partners are entitled to terminate the agreement upon the counterparty's material breach or the failure to cure thereof.

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In addition to online music platforms, we also adapt music works into a version suitable for karaoke use and license them to karaoke operators. In addition to the production process outlined above, our music production team will also remove the vocals from the original track, combine the instrumental with the lyric video, add subtitles and convert the recordings in the right format to play. After the completion of the foregoing, the audiovisual recordings will be delivered to karaoke operators across the country and our sound engineers will provide technical support and maintenance to each store.

During the Track Record Period, we entered into music license agreement with karaoke operators to license our music recordings for a licensing fee during a fixed period. We currently offer more than 3,000 karaoke songs covering a broad range of genres, and we continue to review and update our karaoke song library to keep it fresh, current and popular.

Key terms of our licensing agreements with karaoke operators include:

- *Licensed right.* We typically grant karaoke operators a non-exclusive license to publicly broadcast our music IPs for karaoke use.
- *Term.* The term of the licensing agreements varies case by case, typically around one year.
- *Fee arrangement.* Under our licensing agreements with karaoke operators, we typically receive a fixed licensing fee. Payments are usually made in installments.
- *Intellectual property rights.* We typically own and license the rights in our music IPs to the karaoke operators.
- *Termination.* Either we or the karaoke operators are entitled to terminate the agreement upon the counterparty’s material breach or the failure to cure thereof.

As of June 30, 2022, we had 13 music licensing agreements with online music platforms and mobile value-added services providers, which were currently in effect. The table below sets for the number of music licensing agreements that will expire in 2022 or thereafter:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026 or after</u>
Online music platforms and mobile value-added services providers	6	2	1	1	3

BUSINESS

Film and Drama Series IP Operation and Licensing

Leveraging our extensive film library, experienced in-house professional teams and our long-term cooperative relationships with media platforms, we are actively making inroads into the fields of film licensing and drama series production and licensing.

The following table sets out a breakdown of our revenue generated from film and drama series IP operation and licensing by licensed geographic region for the periods indicated.

	For the year ended December 31,						For the six months ended June 30			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except for percentages)</i>									
	<i>(unaudited)</i>									
Mainland China	31.8	27.7%	105.4	60.5%	7.5	8.7%	7.5	33.5%	0.2	1.5%
Overseas	83.2	72.3%	68.8	39.5%	78.9	91.3%	14.9	66.5%	13.5	98.5%
Total	115.0	100.0%	174.2	100.0%	86.4	100.0%	22.4	100.0%	13.7	100.0%

Our revenue generated from licensing our film and drama series IPs to the mainland China market increased from RMB31.8 million in 2019 to RMB105.4 million in 2020, and then decreased to RMB7.5 million in 2021, primarily because we entered into a multi-year film IP licensing contract with a leading short video platform in China in 2020 and recognized licensing revenue of approximately RMB102.5 million in 2020 for films whose licensing period started in 2020, in line with our revenue recognition policy. Our revenue generated from licensing our film and drama series IPs to the mainland China market decreased from RMB7.5 million in the six months ended June 30, 2021 to RMB0.2 million in the same period in 2022, primarily because we recognized licensing revenue for “Monthly Girls’ Nozaki-kun (月刊少女野崎君)” in the six months ended June 30, 2021. Our revenue generated from licensing our film and drama series IPs to the overseas market decreased from RMB83.2 million in 2019 to RMB68.8 million in 2020, mainly because we entered into a new film IP licensing contract in 2019 to stream our film and drama series IPs in the overseas market and recognized all the licensing revenue in 2019. Our revenue generated from licensing our film and drama series IPs to the overseas market increased from RMB68.8 million in 2020 to RMB78.9 million in 2021, mainly due to an increase in revenue we recognized in 2021 for licensing our film and drama series IPs to an overseas customer.

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Film IP Library and Licensing

As of June 30, 2022, we had a large film library consisting of 757 Chinese films. CMC Asia acquired News Corporation’s film IP library and licensing business in 2010. The film IP library and the related business were then controlled by us following a series of historical shareholding changes of our Group. For details, see “History, Reorganization and Corporate Structure.”

The library is built mainly to present popular films produced in Hong Kong in the past few decades. We own the right to license all the films in our film IP library for reruns and the rights to produce remakes and remastered copies of some of the films. For most of the films, we have the exclusive right to license them for reruns globally.

We generally license our films to domestic and overseas TV networks and online video platforms for reruns in exchange for a fixed licensing fee during a specified term. The licensing fee is usually determined on factors including the number of films licensed and the length of the licensing period. The term of the licenses varies case by case. In 2020, we have entered into cooperation with ByteDance to broadcast the films in our film IP library.

Key terms of the licensing agreements typically include:

- *Licensed Right.* The licensing agreements with the media platforms generally provide the licensing media platforms with the broadcasting rights, which allows media platforms to rerun the films.
- *Term.* The term of the licensing agreements varies case by case.
- *Fee Arrangement.* Under our licensing agreements with our IP licensing partners, we typically receive a fixed licensing fee. Payments are usually made in installments.
- *Ownership of IP Rights.* We own the right to license all the films in our film IP library for reruns and the rights to produce remakes and remastered copies of some of the films.
- *Termination.* Either we or our IP licensing partners are entitled to terminate the agreement upon the counterparty’s material breach or the failure to cure thereof.

In addition to licensing our films for reruns, we have entered an agreement under which we will jointly invest in the remakes of our films, which will be released on online video platforms.

BUSINESS

Drama Series Production and Licensing

To further develop our content production and operation capabilities and diversify our program portfolio, we are actively expanding our business in the field of drama series production and licensing.

Drama Series Production

We set up a drama series development team in 2018 and produced “Reading Class (閱讀課),” a romantic TV drama series, during the Track Record Period based on our original screenplay. “Reading Class” is our first original drama series, starring Ms. Song Zuer (宋祖兒), Mr. Hou Minghao (侯明昊), Mr. Sun Jian (孫堅) and our managed artist, Ms. Chen Bing (陳冰). “Reading Class” had a total budget of approximately RMB94.0 million. We concluded the filming of “Reading Class” in October 2020 and the post-editing process in August 2021. We obtained the TV Series Distribution Permit (電視劇發行許可證) for “Reading Class” by the end of September 2021. It is expected to be released simultaneously on a leading satellite TV network and a leading online video platform in China. It is an industry norm for a drama series to take two years or longer between the conclusion of filming and initial broadcasting.

Pre-production

We have set up a dedicated development division to help us originate or purchase script concepts and liaise with suitable scriptwriters to write the scripts. The chief producers will formulate production budgets and choose the cast according to genre of scripts and production budgets. We will file the production project proposed with the local counterpart of the NRTA once a production project is officially initiated.

Production

We assign in-house directors, producers and project coordinators to manage and monitor the entire program production process and to ensure that our programs are of high quality and efficiently produced. Our experienced in-house technical crew is responsible for a wide range of tasks, such as lighting, choreography, studio set design and talent coordination.

Post-Production

Our experienced in-house production team is usually heavily involved in the post-production process, including editing, sound mixing, color adjustment and subtitling. After master tapes of our drama series are ready, they are submitted to NRTA for final review and approval to obtain a TV Series Distribution Permit (電視劇發行許可證). This review process generally takes approximately one month. The TV Series Distribution Permits must be obtained prior to sending master tapes to our customers for broadcasting. During the Track Record Period, we did not encounter any production process delay during the NRTA examination process and were not subject to any adverse action by NRTA.

BUSINESS

Drama Series Licensing

We own all the IP rights in “Reading Class” and are in the process of negotiating with leading TV networks and online video platforms to license the broadcasting rights. In addition, we co-produced “The Glory and the Dream” (光榮與夢想), a drama series depicting the social changes in China in the 1920s and 1930s, which was broadcast on Dragon Satellite TV, Beijing Satellite TV and the Top Three Online Video Platforms in China in May 2021.

Other IP-Related Business

Leveraging our wide array of entertainment IPs, we have spanned our business to various IP-related fields, such as artist management, arts education and training, concert organization and production, mobile apps, consumer products and themed attractions.

Artist Management

We aim at discovering and cultivating emerging performing artists through our music and dance variety programs, and arrange them to provide performing services to corporate customers, advertising agencies and media platforms. We usually enter into a multi-year artist management contract with the artists and our talent management team will provide support to them in areas such as marketing, promotion, monetization and career training. They work with our managed artists to schedule concerts, tours, in-person appearances and endorsement deals for our customers. They also work with the music production team to produce and release singles and albums for the artists.

Artist Management Contract

Key terms of our artist management contract typically include:

- *Term.* Typically, the term of the artist management agreements is nine years. We have a right of first refusal to renew the contract after it expires.
- *Artist Management Service.* We are in close contact with various corporate customers, advertising agencies and media platforms, and arrange our managed artists to participate in the customers’ concerts, tours, in-person appearances and endorsement deals. We also produce singles and albums for the artists and facilitate them in arranging schedules and communicating with customers and media.
- *Fee Arrangement.* We share the income we received from customers with our managed artists pursuant to the percentages set out in the agreement.
- *Ownership of IP Rights.* We own a exclusive license of indefinite term on the artist’s works produced during the term of the agreement.
- *Termination.* We can terminate the contract if the artist commits a breach.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable labor laws, rules and regulations in all material aspects, and our Directors were not aware of any disputes, including any incidents of or complaints for work overload and unlawful labor practices between our managed artists and us. Our PRC Legal Advisor is of the view that, as of the Latest Practicable Date, they were not aware of any cases where we were punished by governmental authorities for material violation of applicable labor laws, rules or regulations.

Artists Overview

We had a deep roster of 154 outstanding performing artists as of June 30, 2022. Among our 154 artist management contracts, 62 will expire between 2022 and 2023, 39 will expire between 2024 and 2025, and the remaining will expire in 2026 or thereafter. We are proud to have helped promote the performing careers of many rising stars and will continue to identify and cultivate aspiring artists.

Key Managed Artists

Some of our key artists include, in alphabetical order: Ms. Chen Bing (陳冰), Ms. Curley G (希林娜依•高), Ms. Huang Xiaoyun (黃霄雲), Mr. Jiang Dunhao (蔣敦豪), Mr. Li Qi (李琦), Mr. Lil-Em (那吾克熱•玉素甫江), Ms. Liu Xuejing (劉雪婧), Ms. Pan Hong (潘虹), Ms. Su Yunying (蘇運瑩), Mr. Tenzin Nyima (旦增尼瑪), Ms. Wu Keyue (伍珂玥), Ms. Xing Hanming (邢晗銘), Ms. Yu Zibei (于梓貝), Mr. Zahi Bing Zo (紮西平措), and Mr. Zhang Lei (張磊). Among our contracts with the above-mentioned artists, three will expire between 2022 and 2023, seven will expire between 2024 and 2025, four will expire between 2026 and 2027, and one will expire after 2028.

All of the artists listed above were featured in one or more of our variety programs, including “Sing! China,” “Guess the Singer!” “Guess the Dancer!” and “Arrival of the Best-Seller!” Ms. Chen Bing (陳冰) also performed in our drama series “Reading Class.” In addition to performance in the variety programs and drama series produced by us, our artist management team also actively pursues opportunities for our managed artists to attend commercial performances and business promotion activities, enter into endorsement deals with corporate customers, perform in soundtracks for movies and drama series, and perform in various variety programs and drama series that are produced by other content producers and media platforms.

Case Studies

One prominent example of how we helped an aspiring performing artist reach a nationwide audience is young pop star Ms. Curley G. She started out as a talented singer participating as a contestant in our “Sing! China 2017” and gained much popularity among the audience. We produced and released her first original song “Season of Particles” in 2018 and her first album “Can’t Stop” in 2020.

BUSINESS

Another example is Ms. Huang Xiaoyun, who participated in “Sing! China 2015” and again in “Sing! China 2021” as an assistant judge. Our artist management team secured the opportunities for Ms. Huang Xiaoyun to participate in several hit music variety programs, including “Singer 2020” (歌手•當打之年2020), “New Voice for Guidance” (新聲請指教), “Guess the Singer! 2020” and “Sound of My Dream 2018” (夢想的聲音2018). “Stars and Sea” (星辰大海), a song she performed, was played more than nine billion times online as of June 30, 2022. In 2021, we published her first album, “Huang Xiaoyun’s Neverland,” to further promote her music career. In addition, our artist management team actively identifies opportunities for Ms. Huang Xiaoyun to participate in drama series production. For example, she starred in “Schrödinger’s Cat” (薛定諤的貓) and “Young & Cool” (少年有點酷), two drama series broadcast on Youku, one of the Top Three Online Video Platforms in China.

Concert Organization and Production

Leveraging our rich expertise in event planning and our deep roster of managed artists, we have established a concert organization and production business. We are engaged by a wide array of customers, including well-known music service providers and advertising agencies, to organize concerts. We are responsible for a series of tasks such as artist invitation, stage setting, sound engineering and process planning. We typically receive a portion of the ticket sales from the customers in return. We also organize concerts by ourselves and are entitled to all the ticket sales of such events.

Arts Education and Training

Undergraduate Program

In 2018, we cooperated with Shanghai Institute of Visual Arts, or SIVA, which is an independent third party, and co-founded the Pop Music School to provide undergraduate education. Being the first of its kind in the city, the school offers a curriculum covering two majors: pop music and street dance. SIVA provides the premises for the school and is responsible for its daily operations. We are responsible for the expenses in relation to the teaching facilities and teaching personnel, and provide the school with various teaching resources. In return, we share in the revenue generated by the school pursuant to a percentage set out in the agreement with SIVA.

The school welcomed its first batch of students majoring in singing and dancing in 2018. Since then, we have experienced steady growth in the number of students enrolled. In 2018, 2019, 2020 and 2021, 54, 113, 168 and 224 students were enrolled in our undergraduate program, respectively.

As advised by our PRC Legal Advisor, the undergraduate program provided in the form of school-enterprise cooperation (校企合作) with SIVA is not subject to foreign investment restriction under the Negative List. To the best knowledge and belief of our Directors, the undergraduate program does not fall within the “prohibited” or “restricted” category under the Negative List as advised by our PRC Legal Advisor.

BUSINESS

Arts Training

Leveraging the brand effect of our singing and dance competition shows, we also provide training in singing and dance to the general public, which are not subject to enrollment limits. Our arts training programs serve children and adults who want to develop a personal interest or further improve their skills of singing and dancing, and engage musicians and dancers as instructors.

In addition to offline arts training, we also provide online pop music and street dance classes on the “Sing! China” app we developed. Users can download the app and access the online classes at a fixed rate. For detail, please see “— Mobile Apps — ‘Sing! China’ App.”

Mobile Apps

To provide a platform for audience to interact with each other, we have developed and launched a mobile app, “Sing! China” app, and a WeChat mini-app, “Zongbache” mini-app.

“Sing! China” App

Online “Sing! China” Social Community

In July 2020, we launched “Sing! China” app, our self-developed online community mobile app for audience to access information and updates about our “Sing! China” variety program and engage in social interaction with other audience alike. It connects audience with celebrities, who used to be contestants and coaches in our “Sing! China” variety program and provides a platform where audience can quickly and conveniently disseminate program information in various formats. By strengthening the connection among audience, celebrities and content, the platform helps build a vibrant audience base for our variety programs.

Application Features and Vibrant Audience Base

“Sing! China” app features a wide range of social functions. Well-known singers who used to perform in “Sing! China” variety program as contestants or coaches can give online singing classes. Users can share their music performances, either in audio or video formats, and “Sing! China” app provides various music rankings to make the process more engaging. Users can participate in online singing battles, comment on and give likes to other’s singing performances and share their own performance on social media platforms such as WeChat. By virtue of its social media nature, “Sing! China” app has become the online social community for audience of “Sing! China” variety program. As of June 30, 2022, we had more than 1.2 million registered users on “Sing! China” app.

Moreover, “Sing! China” app also serves as a key online portal for applying to attend the offline entertainment events in association with our “Sing! China” variety program. We also invite popular singers who attended our past programs to interact with the users in real-time to boost the program’s popularity.

BUSINESS

Through “Sing! China” app, we can proactively launch marketing for upcoming shows and build momentum to contribute to early success. More importantly, we can effectively keep the audience engaged after the show is over and create a vibrant audience base for our “Sing! China” variety program, which is critical for expanding our monetization opportunities.

The screenshots below illustrate the key features of our “Sing! China” app’s interface and functions.



During the Track Record Period, we generated revenue from our operation of the “Sing! China” app through providing online music training courses at a price ranging from RMB12 to RMB999 per course. Our users may also subscribe for membership at a price of RMB19.9 per month.

Cooperation Agreement with AVP License Holder

As advised by our PRC Legal Advisor, according to the Administrative Regulations on Internet Audio-Visual Program Service (the “Audio-Visual Regulations”), an internet audio-visual program service provider shall obtain an Audio-Visual Permit issued by the competent authorities of radio, film and television or complete certain registration procedures with the competent authorities of radio, film and television, and the applicants for the AVP license are required, among others, to be either state-owned or state-controlled entity. As our Company is not owned or controlled by the state, we have entered into a cooperation agreement effective from September, 2021 with a third party in the PRC that holds a valid AVP License. Under the agreement, the video channel of our “Sing! China” app is redirected to the auto channel of their platforms, which displays our video content. According to our PRC Legal Advisor and the PRC Legal Advisor to the Sponsors, such arrangement did not violate PRC laws and the Group did not need to obtain its own AVP License under such arrangement.

BUSINESS

The salient terms of the agreement are as follows:

- *Nature.* The video channel of our platforms is redirected to the auto channel of their platforms, which displays our video content.
- *Term.* The term of the agreement is from August 1, 2021 to December 31, 2023 with an automatic renewal provision for a further year.
- *Fee Arrangement and Settlement.* We agreed to pay the third party a fixed percentage of the revenue we generated from our “Sing! China” app, which shall be settled on a monthly basis.
- *Termination.* The agreement can be terminated upon mutual negotiations.

Our Directors confirm that the relationship between the two entities have been cordial, and our Directors do not foresee any major obstacles where the current arrangement cannot continue in the future. In the unlikely event that we are no longer able to cooperate with this partner, our Directors confirm that there are no material obstacles for us to cooperate with other platforms who hold an AVP License. There are over 500 entities in the PRC that has an AVP License which can potentially replace our Company’s current third party video platform partner that possesses AVP License in terms of licensing.

“Zongbache” WeChat Mini-app

“Zongbache” is a WeChat mini-app we developed that serves as an online community for all of our variety programs other than “Sing! China,” which is released in August 2020. Through our “Zongbache” mini-app, audience of our variety programs, such as “Street Dance of China” and “Shine! Super Brothers,” can access information and updates of the programs and interact with other audience. Registered users can post their comments regarding a program or participating starts using the “Quanzi” feature and they can comment on, vote for and like the dance performances posted by each other. We also regularly give up free tickets to our variety program to our registered users as prizes, effectively enhancing the stickiness of our users.

Moreover, the “Zongbache” mini-app also serves as the application portal for people who are interested in participating for our competition shows. By closely linking us with our audience and potential participating contestants, “Zongbache” mini-app helps us gain insights into market updates and customer preference, which in turn enables us to constantly develop and promote popular variety programs. As of June 30, 2022, “Zongbache” had more than 68,000 registered users.

During the Track Record Period, we generated revenue from our operation of the “Zongbache” mini-app through providing membership subscription at a price ranging from RMB38 to RMB58 per month.

BUSINESS

As of the Latest Practicable Date, there had been no data tax in PRC that would require companies who operate apps and mini-apps which possess a large amount of personal data to give part of their revenue from operations to the sources of the personal data, or data tax. Our primary business is operation and licensing of variety programs, which is our main revenue source. Since the launch of the “Sing! China” app and the “Zongbache” mini-app, our revenue generated from “Sing! China” app was approximately RMB752,000 and our revenue generated from “Zongbache” mini-app was approximately RMB275,000 as of June 30, 2022, the aggregate amount of which only accounted for less than 0.6% of our total revenue for the six months ended June 30, 2022. Because of the foregoing, our Directors and our PRC Legal Advisor are of the view that in the occasion that a data tax will be levied, it will not have any material adverse impact on the business operations or financial position of us.

Based on the due diligence work conducted by the Joint Sponsors and having taking into account, among others, (i) the grounds as set out above, and (ii) the view of the PRC Legal Advisor, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors’ above in any material aspect.

Consumer Products

We license our entertainment IPs generated in relation to our content production to consumer products brands in various sectors, including cosmetics, food and beverages, clothing and fashion items. We grant our licensing partners the right to use promotional materials based on our program IPs in exchange for licensing fees. We also engage third party suppliers to produce clothing, fashion items and other tie-in merchandise centered around our entertainment IPs, and sell them on our “Zongbache” mini-app and on online retail platforms such as Tmall.

Themed Attractions

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 cooperate with tourist attractions, such as Madame Tussauds Shanghai Wax Museum, and license them the right to recreate the scenes and props of our variety programs. In addition, we have obtained the land-use right of a land parcel in Songjiang, Shanghai with an area of approximately 66,000 square meters. We plan to use this land to build our “Songjiang Star Variety Program, Film and Drama Series Production Base” (“Songjiang Base”). In addition, we plan to build tourist attractions based on our variety program IPs. As of June 30, 2022, we had incurred RMB196.7 million for the project, primarily consisting of the cost of the land, property tax and construction cost. 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. We expect the construction to be completed in the second half of 2023. We plan to fund approximately RMB831 million by bank loans and the rest by our own funds.

BUSINESS

Currently, we rent studios from third parties for the production of our variety programs. We also incur considerable expenses for hotels and temporary offices for program participants and staff during the production process. In addition, we sometimes encounter the problem of lack of available production studios, which affect our production schedule. We plan to build a production base, spanning across several independent film production studios, all of which are well equipped. With our own production studio, we can have better control over the production environment and process, alter the studios to fit better with the program ideas, and experiment with new settings and techniques with ease. We also plan to build offices for post-production editing as well dormitories that can host program participants. By having production related work done in the same place, we believe we can improve our operational efficiency and lower production cost in the long run. Songjiang Base is located in Shanghai, one of the most well-connected cities in China, and in Songjiang District, which can be conveniently reached by public and private transportation, making it an ideal location for the production of super large variety programs that involve a large audience and numerous participants. We expect Songjiang Base to serve as the main production base for our variety programs starting from 2023, after the construction completed.

Building on our variety program IPs, we plan to build various themed attractions on Songjiang Base. Tourists can observe the production of variety programs on site, purchase tie-in merchandise based on our variety programs and have other entertainment experience, such as taking street dance and music classes, underpinned by our entertainment IPs.

AWARDS AND RECOGNITIONS

The table below sets forth our major awards received since our establishment:

<u>Year</u>	<u>Variety Program/Group Entity Receiving Award</u>	<u>Awards/Recognitions and Issuing Authority</u>
2019	Nomination	Top 30 National Cultural Enterprises (全國文化企業30強) issued by Guangming Daily (光明日報社) and Economic Daily (經濟日報社)
2019	“CHUANG”	Best Director (Non-Fiction) China (2019) (2019非虛構類節目最佳導演獎) issued by Infocomm Development Authority of Singapore (新加坡資訊通信媒體發展局), 2019 Annual Award for Ingenious Director (2019年度匠心導演) and 2019 Annual Award for Ingenious Music (2019年度匠心音樂) issued by China TV Artists Association (中國電視藝術家協會)
2019	“A Class 2019”	Best Children’s Program (One-off/Series) China (2019) (2019最佳兒童節目獎) issued by Infocomm Development Authority of Singapore (新加坡資訊通信媒體發展局)
2019	“Rave Now”	2019 Annual Award for Ingenious Director (2019年度匠心導演) and 2019 Annual Award for Ingenious Music (2019年度匠心音樂) issued by China TV Artists Association (中國電視藝術家協會)

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Year	Variety Program/Group Entity Receiving Award	Awards/Recognitions and Issuing Authority
2019	“Street Dance of China 2019”	2019 Annual Award for Ingenious Photography (2019年度匠心攝影), 2019 Annual Award for Ingenious Program (2019年度匠心作品) and 2019 Annual Award for Ingenious Producer (2019年度匠心製作人) issued by China TV Artists Association (中國電視藝術家協會), 2019 Annual Award for Influential Program (2019年度節目) issued by NRTA (國家廣播電視總局)
2019	“Sing! China 2019”	2019 Annual Award for Outstanding Program (TV地標(2019)—製作機構年度優秀節目) issued by NRTA (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社)
2019	“Arrival of the Best-Seller! 2019”	2019 Annual Award for Outstanding Online Audio-visual Program (TV地標(2019)—年度優秀網絡視聽節目) issued by NRTA (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社)
2019	Canxing Culture	Media & Entertainment Industry Report’s 2019 Annual Award for Influential Enterprise (2019《綜藝報》年度企業) issued by NRTA (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社)
2020	“The Great Wall”	26th Shanghai TV Festival — Nominee for Magnolia Award for Best Television Variety Program (第26屆白玉蘭最佳電視綜藝節目提名) issued by Organizing Committee of Shanghai TV Festival China (上海電視節組委會)
2020	Canxing Culture	2020 Annual Award for Excellent Talent Developer in Changning District (長寧區2020年度人才開發優秀單位) issued by Bureau of Human Resources and Social Security in Changning District (長寧區人力資源和社會保障局)
2020	Tribute Video to Wuhan in “Sing! China 2020” (2020好聲音致敬武漢中插)	2020 Annual Award for Outstanding Recreation Short Film (2020年短視頻單元文娛類年度傑出作品) issued by China Federation of Radio and Television Associations (中國廣播社會組織聯合會)
2020	“Sing! China 2020”	“TV Landmark” (2020) — Annual Outstanding Program Award for Production Company (2020年度製作機構優秀節目) issued by NRTA (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社)
2020	“Street Dance of China 2020”	“TV Landmark” (2020) — Annual Outstanding Online Audio-visual Program Award (2020年度優秀網絡視聽節目) issued by NRTA (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社)
2021	“Street Dance of China 2020”	“Global Recommendation — Annual Multi-Season Variety Program” issued by China Alliance of Radio Film and Television Production Committee (中國廣播電視社會組織聯合會電視製片委員會)
2021	“The Great Wall”	“Global Recommendation — Annual Innovative Variety Program” issued by China Alliance of Radio Film and Television Production Committee (中國廣播電視社會組織聯合會電視製片委員會)
2021	Canxing Culture	“TV Landmark” (2021) — Annual Outstanding Award for Production Company (2021年度優秀節目製作機構) issued by NRTA (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社)

BUSINESS

<u>Year</u>	<u>Variety Program/Group Entity Receiving Award</u>	<u>Awards/Recognitions and Issuing Authority</u>
2021	“Sing! China 2021”	“TV Landmark” (2021) — Annual Outstanding Program Award for Production Company (2021年度製作機構優秀節目) issued by NRTA (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社)
2021	“Street Dance of China 2021”	“TV Landmark” (2021) — Annual Outstanding Online Audio-visual Program Award (2021年度優秀網絡視聽節目) issued by NRTA (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社), China Hip Hop Awards Ceremony 2021 — Annual Outstanding China Hip Hop Program Award (中國街舞盛典2021年度中國街舞優秀綜藝節目) issued by China Hip Hop Awards Ceremony Committee (中國街舞盛典組委會)

OUR CUSTOMERS

During the Track Record Period, our customers primarily included: (i) TV networks and online video platforms that engage us to produce and distribute variety programs; (ii) 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. For the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022, our revenues attributable to our five largest customers in each year/period during the Track Record Period were RMB1,366.1 million, RMB1,087.9 million, RMB867.1 million and RMB142.4 million, respectively, which accounted for approximately 75.6%, 69.7%, 77.0% and 78.0% of our total revenue for the same periods, respectively.

As of the Latest Practicable Date, we maintained stable relationship with our top five customers ranging from approximately three years to ten years. The credit term with our five largest customers is typically one month after they receive our invoice, depending on the specific payment terms in each contract, and we generally settle with them by bank transfer. As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

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The following table sets forth details of our five largest customers during the Track Record Period:

Our Group’s five largest customers for the year ended December 31, 2019

Rank	Customer	Nature of revenue	Revenue <i>(RMB in thousands)</i>	Commencement of business % of relationship our total (since or before) <i>(Year)</i>	Customer background
1	Customer A	Variety program IP production, operation, and licensing; other IP-related business	472,976	26.2% 2012	One of the Top Three Online Video Platforms in China owned by a technology and e-commerce conglomerate located in Hangzhou, Zhejiang Province listed on both the New York Stock Exchange and the Hong Kong Stock Exchange, founded in 1999, and its subsidiaries.
2	Customer B	Variety program IP production, operation, and licensing; other IP-related business	359,579	19.9% 2012	A state-owned radio and television media group located in Hangzhou, Zhejiang Province, founded in 2001. It operates ten TV networks, including one of the Big Five Satellite TV Networks in China.

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Rank	Customer	Nature of revenue	Revenue <i>(RMB in thousands)</i>	% of our total revenue	Commencement of business relationship (since or before) <i>(Year)</i>	Customer background
3	Customer C	Music and variety program IP production, operation, and licensing; other IP-related business	257,001	14.2%	2013	A technology and social media conglomerate located in Shenzhen, Guangdong Province, listed on the Hong Kong Stock Exchange and founded in 1998 and its subsidiaries. They operate one of the Top Three Online Video Platforms in China.
4	Customer D/ Supplier A	Variety program IP production, operation, and licensing; other IP-related business	162,044	9.0%	2013	A state-owned radio and television media group located in Shanghai, founded in 2001. It operates 26 TV networks, including one of the Big Five Satellite TV Networks in China.
5	Customer E/ Supplier B	Variety program IP production, operation, and licensing; other IP-related business	114,485	6.3%	2015	A state-owned radio and television media group located in Nanjing, Jiangsu Province, founded in 2002. It operates 11 TV networks, including one of the Big Five Satellite TV Networks in China.
			<u>1,366,085</u>	<u>75.6%</u>		
	Total		<u><u>1,806,593</u></u>	<u><u>100%</u></u>		

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Our Group’s five largest customers for the year ended December 31, 2020

Rank	Customer	Nature of revenue	Revenue <i>(RMB in thousands)</i>	% of our total revenue	Commencement of business relationship (since or before) <i>(Year)</i>	Customer background
1	Customer A	Variety program IP production, operation, and licensing; other IP-related business	396,304	25.4%	2012	One of the Top Three Online Video Platforms in China owned by a technology and e-commerce conglomerate located in Hangzhou, Zhejiang Province listed on both the New York Stock Exchange and the Hong Kong Stock Exchange, founded in 1999, and its subsidiaries.
2	Customer B	Variety program IP production, operation, and licensing; other IP-related business	235,916	15.1%	2012	A state-owned radio and television media group located in Hangzhou, Zhejiang Province, founded in 2001. It operates ten TV networks, including one of the Big Five Satellite TV Networks in China.
3	Customer C	Music and variety program IP production, operation, and licensing; other IP-related business	178,042	11.4%	2013	A technology and social media conglomerate located in Shenzhen, Guangdong Province, listed on the Hong Kong Stock Exchange and founded in 1998, and its subsidiaries. They operate one of the Top Three Online Video Platforms in China.

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Rank	Customer	Nature of revenue	Revenue <i>(RMB in thousands)</i>	% of our total revenue	Commencement of business relationship (since or before) <i>(Year)</i>	Customer background
4	Customer F	Variety program IP production, operation, and licensing; film and drama series IP operation and licensing	156,111	10.0%	2016	A technology and social media conglomerate located in Beijing, founded in 2012 with its registered capital amounted to US\$300 million and its subsidiaries. They operate one of the leading short video platforms in China.
5	Customer E/ Supplier B	Variety program IP production, operation, and licensing; other IP-related business	121,479	7.8%	2015	A state-owned radio and television media group located in Nanjing, Jiangsu Province, founded in 2002. It operates 11 TV networks, including one of the Big Five Satellite TV Networks in China.
			<u>1,087,852</u>	<u>69.7%</u>		
	Total		<u><u>1,559,945</u></u>	<u><u>100%</u></u>		

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Our Group’s five largest customers for the year ended December 31, 2021

Rank	Customer	Nature of revenue	Revenue <i>(RMB in thousands)</i>	% of our total revenue	Commencement of business relationship (since or before) <i>(Year)</i>	Customer background
1	Customer A	Variety program IP production, operation, and licensing; other IP-related business	403,142	35.8%	2012	One of the Top Three Online Video Platforms in China owned by a technology and e-commerce conglomerate located in Hangzhou, Zhejiang Province listed on both the New York Stock Exchange and the Hong Kong Stock Exchange, founded in 1999, and its subsidiaries.
2	Customer B	Variety program IP production, operation, and licensing; other IP-related business	159,596	14.2%	2012	A state-owned radio and television media group located in Hangzhou, Zhejiang Province, founded in 2001. It operates ten TV networks, including one of the Big Five Satellite TV Networks in China.
3	Customer F	Variety program IP production, operation, and licensing; other IP-related business	120,668	10.7%	2016	A technology and social media conglomerate located in Beijing, founded in 2012 with its registered capital amounted to US\$300 million and its subsidiaries. They operate one of the leading short video platforms in China.

BUSINESS

Rank	Customer	Nature of revenue	Revenue <i>(RMB in thousands)</i>	% of our total revenue	Commencement of business relationship (since or before) <i>(Year)</i>	Customer background
4	Customer E/ Supplier B	Variety program IP production, operation, and licensing; other IP-related business	93,012	8.3%	2015	A state-owned radio and television media group located in Nanjing, Jiangsu Province, founded in 2002. It operates 11 TV networks, including one of the Big Five Satellite TV Networks in China.
5	Customer C	Variety program IP production, operation, and licensing; other IP-related business	90,683	8.0%	2013	A technology and social media conglomerate located in Shenzhen, Guangdong Province, listed on the Hong Kong Stock Exchange and founded in 1998, and its subsidiaries. They operate one of the Top Three Online Video Platforms in China.
			<u>867,101</u>	<u>77.0%</u>		
	Total		<u><u>1,126,746</u></u>	<u><u>100.0%</u></u>		

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Our Group’s five largest customers for the six months ended June 30, 2022

Rank	Customer	Nature of revenue	Revenue <i>(RMB in thousands)</i>	% of our total revenue	Commencement of business relationship (since or before) <i>(Year)</i>	Customer background
1	Customer A	Variety program IP production, operation, and licensing; other IP-related business	76,536	41.9%	2012	One of the Top Three Online Video Platforms in China owned by a technology and e-commerce conglomerate located in Hangzhou, Zhejiang Province listed on both the New York Stock Exchange and the Hong Kong Stock Exchange, founded in 1999, and its subsidiaries.
2	Customer F	Variety program IP production, operation, and licensing; other IP-related business	42,679	23.4%	2016	A technology and social media conglomerate located in Beijing, founded in 2012, with its registered capital amounted to US\$300 million and its subsidiaries. They operate one of the leading short video platforms in China.
3	Customer G	Variety program IP production, operation, and licensing	12,382	6.8%	2016	An IP operation and advertising company located in Zhuhai, Guangdong Province, with its registered capital amounted to RMB50 million.

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Rank	Customer	Nature of revenue	Revenue <i>(RMB in thousands)</i>	% of our total revenue	Commencement of business relationship (since or before) <i>(Year)</i>	Customer background
4	Customer C	Music IP operation and licensing; other IP-related business	8,057	4.4%	2013	A technology and social media conglomerate located in Shenzhen, Guangdong Province, listed on the Hong Kong Stock Exchange and founded in 1998, and its subsidiaries. They operate one of the Top Three Online Video Platforms in China.
5	Customer H	Other IP-related business	2,779	1.5%	2019	An education institution focusing on providing undergraduate arts training located in Shanghai, with its registered capital amounted to RMB50 million.
			<u>142,433</u>	<u>78.0%</u>		
	Total		<u><u>182,600</u></u>	<u><u>100.0%</u></u>		

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Overlapping of Customers and Suppliers

During the Track Record Period, some of our TV network customers procuring our services in association with variety program production and operation were also our suppliers who (i) provide us with timeslot for TV commercials; (ii) identify and negotiate with performing artists that meet our requirement for our variety programs; or (iii) provide us with production and/or post-production services. To the best knowledge and belief of our Directors, during the Track Record Period, there were four entities, which were among our five largest customers and also our suppliers, or among our five largest suppliers and also our customers. The following table sets forth the details:

Customer/ Supplier	Ranking	Year/ period of being a customer	Revenue	% of our total revenue	Nature of revenue	Year/ period of being a supplier	Purchase	% of our total purchase	Nature of purchase
		(Year/ period)	(RMB in thousands)			(Year/ period)	(RMB in thousands)		
Customer B	Among five largest customers in 2019, 2020, 2021	2019	359,579	19.9%	Variety program IP production, operation, and licensing; other IP-related business	2019	6,807	0.6%	Program technical equipment rental service
		2020	235,916	15.1%		2020	4,524	0.5%	
		2021	159,596	14.2%		2021	5,316	0.7%	
		1H2022	110	0.0%		1H2022	33	0.0%	
Customer D/ Supplier A	Among five largest customers in 2019 and five largest suppliers in 2019, 2020, 2021 and the six months ended June 30, 2022	2019	162,044	9.0%	Variety program IP production, operation, and licensing; other IP-related business	2019	59,957	5.7%	Program technical equipment rental service
		2020	1,395	0.1%		2020	35,998	3.8%	
		2021	66	0.0%		2021	46,374	5.9%	
		1H2022	53	0.0%		1H2022	16,872	13.7%	
Customer E/ Supplier B	Among five largest customers in 2019, 2020, 2021 and five largest suppliers in 2019, 2020, 2021 and the six months ended June 30, 2022	2019	114,485	6.3%	Variety program IP production, operation, and licensing; other IP-related business	2019	36,342	3.4%	Guest invitation service and program technical equipment rental service
		2020	121,479	7.8%		2020	36,796	3.8%	
		2021	93,012	8.3%		2021	81,295	10.3%	
						1H2022	11,578	9.4%	
Supplier I	Among five largest suppliers in 2021	2021	33,399	3.0%	Music IP operation and licensing	2021	11,608	1.5%	Music IP licensing
		1H2022	2,358	1.3%					

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- (1) Customer B is the investing media platform for some of our music variety programs. During the production of the programs, we rented technical equipment, such as broadcasting vans, from the platform that is necessary for program production and transmission.
- (2) Customer D/Supplier A is the investing media platform for some of our talent shows. During the production of the programs, we rented technical equipment, such as broadcasting vans, from the platform that is necessary for program production and transmission.
- (3) Customer E/Supplier B is the investing media platform for some of our music and dance variety shows. During the production of the programs, we rented technical equipment, such as broadcasting vans, from the platform that is necessary for program production and transmission. In addition, we invited certain guests to perform in such variety programs through the platform.
- (4) Supplier I is a music IP operation company located in Guangzhou, Guangdong Province. We license our music IPs to Supplier I for karaoke use. At the same time, Supplier I helps us defend our music IPs against other karaoke operators who infringe our music IP rights and we share the compensation when the suit is successfully brought.

Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. In light of our premium industry resources and market leading position, we have established solid business relationships with our overlapping customers and suppliers. Our Directors confirmed that all of our sales to and purchases from these overlapping customers and suppliers were entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant times, conducted in the ordinary course of business under normal commercial terms and on arm's length basis. As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our overlapping customers and suppliers during the Track Record Period.

It is common in the processes of variety program production and distribution that a TV network can be both a customer and a supplier of a variety program producer and/or distributor because TV networks procure program production services from variety program producers and distributors, and they can also provide certain services to variety program producers, such as TV advertising, guest invitation and TV program production equipment rental.

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Payment Terms and Credit Management

We have established an internal policy to monitor our receivables and working capital on an on-going basis to minimize potential credit risks. Our accounting team works closely with our legal team and business development team to evaluate the credit worthiness of each customer to minimize the risk of overdue payments. They review and update the amount and age of our receivables on a daily basis and send regular reminders to our business development team to collect outstanding fees. Our accounting team also formulates monthly reports on receivables, oversees the collection process and keeps track of any instances of overdue payments. In addition, our internal policy has set out appropriate measures to take when overdue payments occur and when provision for impairment of trade receivables should be made. Our customers usually settle our fees by way of bank transfer. In general, the credit period granted by us is 30 days from the date of billing to our customers.

For more details about our credit risk, see “Risk Factors — Risks Relating to Our Business and Industries — We are exposed to credit risk arising from our large amounts of trade and notes receivables.”

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily consisted of (i) media platforms and advertising agencies that provide us with time slots for commercials; (ii) third-party service providers providing production services for our variety programs; (iii) talent coordination companies or media platforms for program casting; and (iv) composers and lyricists who license their rights to us. We generally work with suppliers on a project basis and enter into contracts for each program setting out the scope of work, price, payment schedule and other commercial terms.

The credit period with our five largest suppliers generally ranges from three months to six months depending on the specific payment terms in each contract and we generally settle with them by bank transfer. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our purchases attributable to our five largest suppliers in each year/period during the Track Record Period were RMB172.3 million, RMB176.3 million, RMB174.8 million and RMB40.0 million, respectively, which accounted for approximately 16.3%, 18.4%, 22.1% and 32.4% of our total purchase for the same periods, respectively.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period. The following table sets forth details of our five largest suppliers during the Track Record Period:

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Our Group’s five largest suppliers for the year ended December 31, 2019

Rank	Supplier	Nature of purchase	Purchase (RMB in thousands)	% of our total purchase	Commencement of business relationship (since or before) (Year)	Supplier background
1	Supplier A/ Customer D	Program technical equipment rental service	59,957	5.7%	2013	A state-owned radio and television media group located in Shanghai, founded in 2001. It operates 26 TV networks, including one of the Big Five Satellite TV Networks in China
2	Supplier B/ Customer E	Guest invitation service and program technical equipment rental service	36,342	3.4%	2015	A state-owned radio and television media group located in Nanjing, Jiangsu Province, founded in 2002. It operates 11 TV networks, including one of the Big Five Satellite TV Networks in China
3	Supplier C	Consulting service regarding the stage lighting, choreography, scenery and scripts	33,796	3.2%	2018	A media company located in the Netherlands which provides program production and consulting services
4	Supplier D	Airline tickets	22,048	2.1%	2015	A travel agency located in Shanghai
5	Supplier E	Guest invitation service and program production service	20,151	1.9%	2019	A culture and media company located in Beijing
			<u>172,294</u>	<u>16.3%</u>		
	Total		<u><u>1,060,327</u></u>	<u><u>100%</u></u>		

BUSINESS

Our Group’s five largest suppliers for the year ended December 31, 2020

Rank	Supplier	Nature of purchase	Purchase (RMB in thousands)	% of our total purchase	Commencement of business relationship (since or before) (Year)	Supplier background
1	Supplier F	TV commercial slots	56,604	5.9%	2019	A state-owned satellite TV network located in Beijing, founded in 1979. It operates one of the Big Five Satellite TV Networks in China
2	Supplier B/ Customer E	Guest invitation service and program technical equipment rental service	36,796	3.8%	2015	A state-owned radio and television media group located in Nanjing, Jiangsu Province, founded in 2002. It operates 11 TV networks, including one of the Big Five Satellite TV Networks in China
3	Supplier A/ Customer D	Program technical equipment rental service	35,998	3.8%	2013	A state-owned radio and television media group located in Shanghai, founded in 2001. It operates 26 TV networks, including one of the Big Five Satellite TV Networks in China
4	Supplier C	Consulting service regarding the stage lighting, choreography, scenery and scripts	29,942	3.1%	2018	A media company located in the Netherlands which provides program production and consulting services
5	Supplier G	Guest invitation service	16,981	1.8%	2020	A film and drama series production company located in Qingdao, Shandong Province
			<u>176,321</u>	<u>18.4%</u>		
	Total		<u><u>959,743</u></u>	<u><u>100%</u></u>		

BUSINESS

Our Group’s five largest suppliers for the year ended December 31, 2021

Rank	Supplier	Nature of purchase	Purchase <i>(RMB in thousands)</i>	% of our total purchase	Commencement of business relationship (since or before) <i>(Year)</i>	Supplier background
1	Supplier B/ Customer E	Guest invitation service and program technical equipment rental service	81,295	10.3%	2015	A state-owned radio and television media group located in Nanjing, Jiangsu Province, founded in 2002. It operates 11 TV networks, including one of the Big Five Satellite TV Networks in China
2	Supplier A/ Customer D	Program technical equipment rental service	46,374	5.9%	2013	A state-owned radio and television media group located in Shanghai, founded in 2001. It operates 26 TV networks, including one of the Big Five Satellite TV Networks in China
3	Supplier C	Consulting service regarding the stage lighting, choreography, scenery and scripts	19,875	2.5%	2018	A media company located in the Netherlands which provides program production and consulting services
4	Supplier H	Consulting service regarding the props and scenery of the stage, and costumes and styling of program participants	15,600	2.0%	2020	A BVI entity which provides variety program consulting and design services regarding stage wear and props
5	Supplier I	Music IP licensing	11,608	1.5%	2018	A music IP operation company located in Guangzhou, Guangdong Province
			<u>174,752</u>	<u>22.1%</u>		
	Total		<u><u>789,396</u></u>	<u><u>100.0%</u></u>		

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Our Group’s five largest suppliers for the six months ended June 30, 2022

Rank	Supplier	Nature of purchase	Purchase (RMB in thousands)	% of our total purchase	Commencement of business relationship (since or before) (Year)	Supplier background
1	Supplier A/ Customer D	Program technical equipment rental service	16,872	13.7%	2013	A state-owned radio and television media group located in Shanghai, founded in 2001. It operates 26 TV networks, including one of the Big Five Satellite TV Networks in China
2	Supplier B/ Customer E	Guest invitation service and program technical equipment rental service	11,578	9.4%	2015	A state-owned radio and television media group located in Nanjing, Jiangsu Province, founded in 2002. It operates 11 TV networks, including one of the Big Five Satellite TV Networks in China
3	Supplier J	Program filming service	5,009	4.1%	2022	A media company located in Hangzhou, Zhejiang Province
4	Supplier K	Program production service	3,302	2.7%	2022	A culture and media company located in Beijing
5	Supplier L	Program studio rental service	3,236	2.6%	2013	A digital technology company located in Shanghai
			<u>39,997</u>	<u>32.4%</u>		
	Total		<u>123,336</u>	<u>100.0%</u>		

During the Track Record Period, we maintained good relationships with our suppliers and did not have any material disagreements or disputes with any of these suppliers. We have not experienced any material delay in the supply or service provided or difficulties in engagement of suitable service providers and have not had to return defective supplies.

BUSINESS

Quality Control

We have adopted strict quality control guidelines and procedures during the entire life cycle of the production of variety programs, music works, drama series and other IP-related products. In addition, we have also applied quality control measures to our procurement.

Variety Programs

With respect to variety programs, our project approval committee assesses the quality of each program concept before the production stage begins. Our director’s team oversees the quality of the program throughout the production process and we designate quality control staff for each important aspect such as sound effect, stage effect, casting and post-production editing. We also invite industry experts to advise on the quality of the variety program after the post-production work is complete, and the investing media platform, the key personnel of our content production professionals and our senior executives will conduct thorough reviews of the program before it is sent to the media platform for broadcasting.

Music Works

With respect to music works, our music production team is responsible for quality control through the production stage. After a music work is completed, the music production team and the managed artists will jointly evaluate the quality of the work before it is released.

Drama Series

With respect to drama series we produced, the producer is responsible for the overall quality of the series and works jointly with the director’s team to monitor the quality and the progress of the production process. We also designate quality control staff for each specific task to ensure the quality of the series.

Consumer Products

With respect to other IP-related products produced by our licensing partners, we work with trustworthy licensing partners possessing a reliable corporate background, trading history and reputation. With respect to other IP-related products produced by our suppliers, we regularly inspect the products and assess their quality.

Procurement

We have also adopted strict internal examination guidelines and procedures for our procurement. We assign in-house quality control staff to carefully assess the quality of the services or products of third-party suppliers on a regular basis and provide constructive feedback timely.

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MARKETING AND PRICING

Sales and Marketing

Our marketing activities are primarily planned and carried out by our business development team. Our business development team is composed of professionals with rich industry experience. The business development team keeps in close and regular contact with customers and has fostered long-term cooperative relationships with a broad array of well-known domestic and international brands in various sectors. In addition to keeping close contact with existing customers, our business development team also actively explores new advertising clients and distribution channels.

Our renowned director's team routinely conducts visits to advertisers and media platforms together with our business development team. Leveraging their successful track record, great industry reputation and decades of experience working closely with well-known brands, our director's team lends a strong support to the marketing efforts. Combining the expertise of our business development team and our director's team enables us to successfully attract a wide selection of advertisers for our variety programs, which constitutes our core competitiveness.

Pricing

Variety Programs

Under the revenue sharing model, we generally consider the total investment, the IP rights allocation, the investing media platforms and the expected level of popularity in pricing the programs. Our revenue from a program depends primarily on the estimated total advertising sales of the program and our estimated costs. Under the commissioned production model, we generally consider the estimated production costs and our target profit margin. When online video platforms license our programs after they are first broadcast on TV networks, we typically consider the market rate for such fees based on the program type, the expected level of popularity and the media platforms in determining the licensing fees. In licensing the right to host offline entertainment events in association with our variety programs, we consider the benefit to our variety program production, the market standard and the expected profit of the licensing party in determining the licensing fees.

Music

In determining the licensing fee and royalties (if any), we usually consider factors such as the licensing media platforms, the expected popularity, and the prevailing market price.

Film and Drama Series

In determining the licensing fee, we usually consider our production costs and target profit margin, the licensing media platforms and our past commercial arrangements, and the prevailing market price.

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Other IP-related Business

Artist Management

In general, we receive service fees from customers who engage our managed artists for concerts, tours, in-person appearances and endorsement deals. We usually consider our target profit margin, the customers and our past commercial arrangements, and the prevailing market price in determining the service fees.

Arts Education and Training

With respect to arts education, the tuition fee for enrolling in the Pop Music School is set by SIVA. With respect to arts training, we typically charge a fixed fee for each course or a fixed monthly fee. We typically consider our service cost, target profit margin and the prevailing market price in determining the price for our arts training classes.

Mobile App and WeChat Mini-app

We do not charge audience for access to our “Sing! China” app or “Zongbache” mini-app. For audience who take online singing classes on our “Sing! China” app, we generally charge a fixed fee for each course taken. We usually consider our service cost, target profit margin and the prevailing market price in determining the price for our online classes.

Consumer Products

In general, we receive fixed licensing payments from licensing partners negotiated on a case-by-case basis. The licensing fees may vary based on our IP production costs and target profit margin, the licensing partner and our past commercial arrangements, and the prevailing market price.

SEASONALITY

The development, production and distribution of variety programs are subject to seasonality. Most super large variety programs are typically broadcast between May and October each year, due to the audience’s preferences and the broadcast schedules of TV networks. In addition, shooting schedules usually start in the beginning of a year as the warm weather in the spring and the summer facilitates the production of variety programs. Because of the combined factors, the level of variety program development, production and distribution activities increases in the second quarter and continues into the second half of the calendar year. As a result, we historically had revenue and gross profit significantly higher in the second half of the year than in the first half. For details, see “Financial Information — Key Factors Affecting Our Results of Operations — Seasonality.”

BUSINESS

INTELLECTUAL PROPERTY

Intellectual property is fundamental to our success and competitiveness. We rely on a combination of copyrights, trademarks, patents, domain names and confidentiality or licensing agreements with our employees, customers, suppliers and other third parties to protect our intellectual property. As of the Latest Practicable Date, as advised by our PRC Legal Advisor, we obtained in the PRC (i) 40 copyright registration certificates in relation to films or works made in a manner analogous to film-making; (ii) 64 copyright registration certificates in relation to recordings; (iii) 109 copyright registration certificates in relation to software; (iv) 29 copyright registration certificates in relation to artworks; (v) one copyright registration certificates in relation to graphics; and (vi) one copyright registration certificate in relation to written works; and (vii) three copyright registration certificates in relation to work of other kinds. In addition, we had 566 registered trademarks, 15 registered domain names and 40 registered patents in the PRC as of the Latest Practicable Date.

As advised by our PRC Legal Advisor, although program formats are not protected by copyright laws in the PRC, various elements in a variety program, such as script, stage setting, and audio and video recordings, are protected by copyright laws if they constitute a copyrightable work. It is of the opinion of our PRC Legal Advisor that registration of the copyrights of such works are not mandatory as the copyright of such works is deemed to belong to and owned by the producer, unless otherwise agreed by the investing media platforms and us.

In addition, trademarks in connection with a variety program are protected by trademark laws in the PRC. Based on our arrangements with the investing media platforms, (i) among the 32 variety programs that were initially broadcast during the Track Record Period, we own, or co-own with the investing media platforms, the trademarks or the right to register the trademarks of eight programs, including “CHUANG,” “Guess the Singer! 2019,” “A Class 2019,” “Guess the Dancer! 2020,” “Guess the Singer! 2020,” “Let’s Dance! 2021,” “Guess the Dancer! 2021” and “Likes! Talent”; (ii) among the five variety programs whose initial broadcast started after the Track Record Period and finished as of the Latest Practicable Date, we own, or co-own with the investing media platforms, the trademarks or the right to register the trademarks of two programs, including “Guess the Dancer! 2022” and “E-POP of China”; and (iii) among the seven pipeline programs scheduled to be released between the fourth quarter of 2022 and the second quarter of 2023, we expect to own the trademarks or the right to register the trademarks of one or more of them.

In general, if a registered trademark in connection with a program is not owned by us, it would be owned by the investing media platform. For such registered trademarks owned by the investing media platform, the platform has the right to use them in various ways, such as producing subsequent seasons with other producers. Nevertheless, for our programs that had multiple seasons during the Track Record Period, we either had the registered trademarks or the right to register trademarks related to the programs, or the right of first refusal to produce subsequent seasons for such programs, pursuant to our cooperation agreement with the investing media platforms.

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We have stringent internal measures to safeguard our intellectual property rights. Our legal department keeps track of and regularly reviews the status of our variety program IPs, music IPs, film IPs and drama series IPs and use a mix of legal and administrative proceedings as well as negotiations to protect our intellectual property rights. For example, our legal department reviews the contracts with our customers to ensure there are appropriate copyright protection terms. In addition, whether such works are registered or not, we can present ourselves as copyright owners and can use legal and administrative proceedings as well as negotiations to settle any copyright infringements that we may encounter. During the Track Record Period, we took proactive measures to identify and enforce our rights against unauthorized use of clips of our variety programs, as well as unauthorized use of our music IPs in karaoke stores, through legal proceedings.

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations within the PRC that we believe would have any material adverse effect on our business, results of operations, financial condition or reputation. During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any material intellectual property rights infringement claims or litigations outside the PRC. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors — Risks Relating to Our Business and Industries — 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.”

As of the Latest Practicable Date, we were the defendant in one pending litigation with Munhwa Broadcasting Corporation. This proceeding is a dispute regarding contract payments, which do not challenge our intellectual property rights. For details, see “ — Legal Proceedings — Ongoing Litigation — The ongoing litigation with Munhwa Broadcasting Corporation initiated in July 2020.”

RESEARCH AND DEVELOPMENT

Our research and development activities primarily include the development of new technologies in program production, in fields such as filming, TV transmission and postproduction editing. Our technical team also continually experiments with different settings, lights, sound costumes and props ideas to create the scenic designs that go well with our variety programs. In addition, they try out different studios and facilities to achieve better effect.

We also spent a significant effort to rapidly roll out and test updates to our “Sing! China” app and “Zongbache” mini-app, in order to continually improve user experience and engagement. During the Track Record Period, in addition to regular and frequent improvements to our mobile apps, our research and development team undertook multiple major development projects to develop features, functions and services tailored to the needs of our user base, such as personalized content recommendation system and interactive functions and features such as comment, like and billboard as a tool for content creation by users.

BUSINESS

LICENSES AND PERMITS

As advised by our PRC Legal Advisor, we had obtained all material licenses, permits and approvals required for our operations, which were valid and remained in effect as of June 30, 2022 and up to the Latest Practicable Date. The table below sets forth the major licenses and permits held by us relating to our business and operations as of the Latest Practicable Date (apart from those pertaining to general business requirements):

No.	Type of License/permit	Issuing authority	Validity period	Holder
1.	Radio and Television Program Production and Operation Permit (廣播電視節目製作經營許可證)	Shanghai Municipal Radio and Television Bureau (上海市廣播電視局)	April 1, 2021 to March 31, 2023	Canxing Culture
2.	Radio and Television Program Production and Operation Permit (廣播電視節目製作經營許可證)	Shanghai Municipal Radio and Television Bureau (上海市廣播電視局)	April 1, 2021 to March 31, 2023	Canxing Film
3.	Television Drama Production Permit (Class B) (電視劇製作許可證(乙種))	Shanghai Municipal Radio and Television Bureau (上海市廣播電視局)	June 16, 2020 to June 15, 2021	Canxing Film
4.	Radio and Television Program Production and Operation Permit (廣播電視節目製作經營許可證)	Shanghai Municipal Radio and Television Bureau (上海市廣播電視局)	April 1, 2021 to March 31, 2023	Beiyi Culture
5.	Internet Cultural Business License (網絡文化經營許可證)	Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局)	August 23, 2022 to August 23, 2025	Canxing Culture

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No.	Type of License/permit	Issuing authority	Validity period	Holder
6.	Internet Content Provider (ICP) License (增值電信業務經營許可證) ⁽¹⁾	Shanghai Communications Administration (上海市通信管理局)	May 14, 2021 to May 14, 2026	Canxing Culture
7.	Internet Content Provider (ICP) License (增值電信業務經營許可證) ⁽²⁾	Shanghai Communications Administration (上海市通信管理局)	May 21, 2021 to May 21, 2026	Beiyi Culture
8.	Commercial Performance License (營業性演出許可證)	Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局)	January 26, 2022 to January 26, 2024	Canxing Culture
9.	Commercial Performance License (營業性演出許可證)	Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局)	December 17, 2021 to December 17, 2023	MXQY

(1) We applied for and obtained an ICP license for Canxing Culture in May 2021, in order to carry out the operations of the “Sing! China” app. As we later decided to display video content on the “Sing! China” app, we engaged an independent third party which holds an AVP license that entitles them to provide such services, and ceased operations under our own ICP license. As of the Latest Practicable Date, we did not have any current plan, nor did we expect, to carry out any operations under the ICP license of Canxing Culture.

Our PRC Legal Advisor is of the view that before we obtained the ICP license in May 2021 and collaborated with a third party in September, 2021, we lacked the ICP license and the AVP license that are necessary to operate the “Sing! China” app in full compliance. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any investigation, penalty or recourse with respect to our operation of “Sing! China” app.

(2) We currently offer video content on our “Zongbache” WeChat mini-app under the ICP license we applied for and obtained in May, 2021. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any investigation, penalty or recourse with respect to our operation of “Zongbache” mini-app.

Our PRC Legal Advisor conducted telephone consultations with NRTA and Shanghai Municipal Administration of Culture and Tourism in relation to the operation of our WeChat mini-app, respectively. NRTA is the competent authority of regulating internet audio-visual program services. Shanghai Municipal Administration of Culture and Tourism is the competent authority being responsible for the supervision and administration in relation to internet cultural activities carried out by our Company within its jurisdiction. Our PRC Legal Advisor obtained the contact information of the interviewees through the official website of the government authorities, which are the official consultation channels provided by the relevant authorities. According to the telephone consultation with the NRTA, WeChat mini-app

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operators currently are not required to apply for AVP License, therefore we currently are not required to obtain an AVP License to display video content on our “Zongbache” mini-app. In addition, according to the consultation with Shanghai Municipal Administration of Culture and Tourism, as we only upload short videos and behind-the-scenes to our “Zongbache” mini-app, which are not full length variety shows, we are not required to obtain an Internet Cultural Business License to display video content on our “Zongbache” mini-app.

We monitor the validity status of our licenses and permits, and make timely applications for the renewal of relevant licenses and permits prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses and permits for our business operations during the Track Record Period and up to the Latest Practicable Date. Our PRC Legal Advisor is of the view that, there is no material legal impediment in renewing these licenses and permits as they expire in future as long as we are in compliance with applicable laws, regulations and rules. However, we cannot assure you that we will be able to obtain or renew such licenses or permits in a timely manner or at all in the future. In addition, as our business expands, we expect to apply for additional licenses and permits as necessary. But we cannot assure you that we will be able to obtain such licenses or permits in a timely manner or at all in the future. See “Risk Factors — Risks Relating to Our Business and Industries — 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.”

COMPETITION

We compete with various players in each sector of China’s pan entertainment industry in which we operate our businesses. With respect to variety programs, we believe that our main competitors are independent video content producers and media platforms that have the capabilities to produce variety programs. In 2021, the market share of top five independent producers and operators reached 3.6% with revenues generated from variety programs of RMB2.0 billion, indicating its highly fragmented landscape, while our Company ranked first among the market players without proprietary broadcasting channels in China in 2021 and accounted for 1.6% of total variety program market.

With respect to music IP operation and licensing, our directors believe we face competition from other record labels who have a larger pool of music IPs. The music market in China is highly fragmented, with the market share of top ten markets players amounting to 7.6% in terms of revenue in 2021, while our Company ranked seventh and accounted for 0.4% of the total music market.

In relation to films and drama series IP operation and licensing, our directors believe we face competition from large-scale privately-owned film and drama series production companies that possess similar production as well as distribution capabilities. The film and drama series markets in China are fragmented, with the market share of top five market players being 18.2% and 16.0% in terms of revenue in 2021, respectively.

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We believe market competition is based on the quality of the content, brand recognition, IP operation capabilities, as well as distribution capabilities. We believe our competitive edge lies in our large and diversified pool of entertainment IPs, capabilities to produce original content, diversified distribution channels and monetization approaches, and our professional and experienced content production team and business development team. Our long-standing relationships with top TV networks and leading online video platforms in China are also a crucial enabler for us to achieve the market-leading position. See “Industry Overview” for a more detailed discussion regarding the markets in which we operate, their top market players as well as our market shares in the relevant markets.

EMPLOYEES

As of June 30, 2022, we had 419 full-time employees and substantially all of them were based in mainland China. The following table sets forth the number of our employees by function as of June 30, 2022:

	<u>Number of employees</u>	<u>% of total</u>
Content development, operations and artist management	248	59.2%
Distribution, sales and marketing	53	12.6%
Research and development	70	16.7%
Administrative, finance and human resources	48	11.5%
Total	419	100.0%

INSURANCE

During the Track Record Period, we maintained third-party liability insurance against risks during the production of variety programs and injury insurance for actors who participated in the program production. We do not, and are not required by PRC laws to, maintain any business interruption insurance or key man life insurance. See “Risk Factors — Risks Relating to Our Business and Industries — Our limited insurance coverage could expose us to significant costs and business disruption.”

Our Directors believe that our insurance coverage is sufficient and adequate, and in line with the industry norm. We periodically review and will make necessary and appropriate adjustments to our insurance coverage. During the Track Record Period and up to the Latest Practicable Date, we had not made any material claim under our insurance policies.

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PROPERTIES

We leased a property in Huangpu District, Shanghai, with an aggregate gross floor area of approximately 3,700 square meters from independent third parties. Our leased properties are mainly used as our office premises and as of the Latest Practicable Date, our lease agreements have expiration dates ranging from December 23, 2022 to July 30, 2048. As of the Latest Practicable Date, we own the land-use right of a land parcel in Songjiang, Shanghai, where we plan to build our Songjiang Base with a size of 66,400 square meters. For more details of our Songjiang Base, see “— Our Businesses — Other IP-Related Business — Themed Attractions.”

LEGAL PROCEEDINGS

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

Ongoing Litigations

As of the Latest Practicable Date, we were the defendant in two material pending litigations with an aggregate claim amount of approximately RMB140.9 million.

The ongoing litigation with Munhwa Broadcasting Corporation initiated in July 2020

Our cooperation with Munhwa Broadcasting Corporation (“MBC”) lasted for less than two years, between May 2015 to November, 2016. During this period, we cooperated with MBC in the production of two variety programs, “King of Mask Singer (蒙面歌王)” season one and “Great Challenge (了不起的挑戰).” We had also entered into contracts with MBC, under which MBC agreed to provide production consulting services for four variety programs, namely “King of Mask Singer” seasons two to four in 2015 (the supplemental agreement of which was entered into in October 2016) and “Outdoor Reality Show (戶外真人秀)” in October 2016. As MBC did not provide production consulting services as agreed, our cooperation with MBC ceased in November, 2016 and we had not maintained any business relationship with MBC since then.

In February 2016, we entered into an agreement with MBC (the “February 2016 Agreement”), under which MBC agreed to provide program licensing services in exchange for a program licensing fee of US\$2.8 million per season to jointly produce seasons two to four of a variety program, “King of Mask Singer,” with us. The key terms of the February 2016 Agreement include:

- *Term of Contract.* Three years from January 1, 2016 to December 31, 2018.
- *Program Format Licensing.* MBC shall license the program format of “King of Mask Sing” to us, so that we have the exclusive right to use the original program format to produce a Chinese version of “King of Mask Singer” seasons two to four, which were scheduled to be made in 2016, 2017 and 2018, respectively.

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- *Production Consulting Services.* MBC agreed to send a team of its production professionals, including directors, lighting designers, cinematographers and production designers, to China to provide consulting services to us during our program production and participate in the program production. We are entitled to up to 12 on-site consultations with MBC's directors during the term of the contract, and the other professionals are obligated to participate in the production of all episodes of the three programs.
- *Fee Arrangement.* We agreed to pay MBC a fee of US\$2.8 million per season and a portion of the profit generated from the advertising sales and licensing of broadcasting rights and tie-in merchandise of the programs. We paid MBC a down payment of US\$4.2 million.
- *Intellectual Property.* We co-own the copyrights and neighboring rights, such as the right enjoyed by producers of audio and video recordings to allow others to replicate, publicize, or transmit the recordings to the public through information networks and receive remuneration, of the three programs with MBC.
- *Notice of Termination.* The February 2016 Agreement does not provide short notice of termination.

In June 2016, the NRTA issued a notice that limited the number of programs based on foreign program format that can be broadcast on satellite TV networks to one per year. This limitation also applies to programs co-developed with foreign parties in which the Chinese party does not own the intellectual property rights in the program. Against this background, we entered into a supplemental agreement with MBC in October 2016 (the "Supplemental Agreement"). Under the Supplemental Agreement, parties clarified that the service to be provided under the February 2016 Agreement was production consulting services and parties agreed to co-develop a music variety program in 2016 and two subsequent seasons. The obligations for both parties to produce subsequent seasons in 2017 and 2018 are conditional upon the issuance of written approval from competent government authorities approving the joint development of variety programs by Chinese companies and Korean companies. To minimize our potential loss resulted from the fact that we had already made US\$4.2 million down payment to MBC under the February 2016 Agreement, and after harsh business negotiation with MBC, we entered into an agreement with MBC in the same month (the "October 2016 Agreement"). Under the October 2016 Agreement, US\$2.6 million of the down payment we already made to MBC under the February 2016 Agreement was to be returned to us, but only in the form of down payment for a new variety program, "Outdoor Reality Show," to be jointly produced by MBC and us.

The key terms of the Supplemental Agreement are as follows:

- *Scope of Service.* Parties clarified that the service to be provided under the February 2016 Agreement is production consulting services and parties agreed to co-develop a music variety program in 2016 as well as two subsequent seasons.

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- *Fee Arrangement.* The fee that MBC is entitled to is lowered to US\$1.6 million plus a portion of the profit generated from the advertising sales and licensing of broadcasting rights and tie-in merchandise of the program. MBC agreed to return the remaining US\$2.6 million in our down payment, which was used to settle our down payment for Outdoor Reality Show in the same year.
- *Intellectual Property.* The copyright of the music variety program to be produced in 2016 belongs to us, including but not limited to the program format, logo and program name.
- *Term.* The term remains the same as the February 2016 Agreement.
- *Termination.* The Supplemental Agreement provided that the obligations of both parties would not apply to any subsequent season of the music variety program, if no written approval from competent government authorities approving joint development of variety programs by Chinese companies and Korean companies is issued. As such written approval was not issued in 2017 or 2018, we did not produce any subsequent seasons of the music variety program or pay production consulting services fee to MBC in this regard.

Despite the signing of the Supplemental Agreement, under which MBC agreed to co-develop a music variety program with us in 2016, and the US\$1.6 million we paid, MBC failed to provide the production consulting services as agreed.

From 2016 to 2018, we developed and produced "Guess the Singer! 2016," "Guess the Singer! 2017" and "Guess the Singer! 2018." In July 2020, MBC brought a lawsuit against us to the Primary People's Court of Xuhui District of Shanghai Municipality for breach of contract, claiming an aggregate amount of approximately RMB124.4 million from us, consisting of (i) program licensing fee, (ii) profit generated from the licensing of broadcasting rights, advertising sales, and licensing of tie-in merchandise in relation to "Guess the Singer! 2016," "Guess the Singer! 2017" and "Guess the Singer! 2018" which we produced, and (iii) damages for breach of contract, liquidated damages for late payment and litigation expenses (the "July 2020 Litigation"). In January 2021, we filed a counterclaim against MBC, requesting MBC to return the US\$1.6 million we paid from our down payment made under the February 2016 Agreement and to pay us US\$480,000 in damages for breach of contract. The court rendered judgment on this case in November 2022 and ruled that (i) "Guess the Singer! 2016" is the music variety program the Group produced in 2016 under the February 2016 Agreement and the Supplemental Agreement; MBC provided suggestion on the program format of "Guess the Singer! 2016" but did not provide the Group with production consulting services; the Group did not provide MBC with profit from the advertising sales and licensing of broadcasting rights of "Guess the Singer! 2016;" and (ii) "Guess the Singer! 2017" and "Guess the Singer! 2018" are irrelevant to the February 2016 Agreement and the Supplemental Agreement, as the condition precedent for the production of subsequent seasons in 2017 and 2018 was not met. The court 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. The amount awarded by the court is less than one tenth of the amount claimed by MBC. We have fifteen days to appeal the case since we received the judgment on December 2, 2022. The court overruled other claims of MBC and ours, including our claim for MBC to return the US\$1.6 million we paid in 2016.

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We made a provision of RMB11.9 million for this lawsuit as of the Latest Practicable Date. Certain Registered Shareholders of Canxing Culture, namely SH Xingtou, SH Zhouxing and Mr. Tian, have provided an undertaking to jointly and severally indemnify us, with reference to their respective shareholding percentage in Canxing Culture, against any losses arising from this ongoing litigation with MBC to the extent of the amount awarded in the final judgment or settlement of this litigation.

Our Directors are of the view that this ongoing lawsuit would not have a material impact on our operations or financial condition because as advised by our PRC Legal Advisor and our litigation counsel, (i) the claims of MBC only involve disputes regarding contract payments under the “February 2016 Agreement” and the “Supplemental Agreement,” and do not involve our ownership of intellectual property rights in “Guess the Singer! 2016,” “Guess the Singer! 2017,” or “Guess the Singer! 2018;” we have the copyright in the trademarks, program scripts, and program settings in association with the three programs; (ii) the court awarded MBC an aggregate amount of approximately RMB11.9 million, less than one tenth of the amount claimed by MBC and accounts for only 2.7% of our cash and cash equivalents as of June 30, 2022; (iii) we do not have on-going cooperation arrangements with MBC since November 2016; (iv) the US\$1.6 million we paid for the music variety program to be produced in 2016 was fully impaired in 2016; and (v) SH Xingtou, SH Zhouxing and Mr. Tian have provided an undertaking to jointly and severally indemnify us against any losses arising from this ongoing litigation with MBC to the extent of the amount awarded in the final judgment or settlement of this litigation.

Based on the due diligence work conducted by the Joint Sponsors and having taking into account, among others, (i) the grounds as set out above, (ii) the indemnity undertaking provided by certain Registered Shareholders of Canxing Culture, and (iii) the view of the PRC Legal Advisor and the Company’s litigation counsel, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors’ view above in any material aspect.

We implemented an internal control policy in October 2016 to better standardize our contracting process. Pursuant to the policy, (i) our legal team shall participate in the whole process of contract negotiation and to identify potential legal risks; and (ii) our management shall oversee the performance and fulfillment of the contracts, and address potential problems arising from the contracts in a timely manner. In addition, we engage third-party legal counsels to provide legal support and services, including contract review services, legal feasibility analysis for our business plans, and legal-related risk trainings to our legal team. For more details about our internal control measures, see “— Risk Management and Internal Control Systems — Regulatory Compliance Risk Management” and “— Risk Management and Internal Control Systems — Legal Risk Management.” During the Track Record Period and up to the Latest Practicable Date, we did not enter into any contract which resulted in material legal dispute similar to those we had with MBC in relation to program production.

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The ongoing litigation with Hummingbird Music Ltd.

From May to June 2016, an artist participated in the production of three episodes of “Heroes of Remix (蓋世英雄),” one of our variety programs. In July 2022, the artist’s then management company, Hummingbird Music Ltd. (蜂鳥音樂有限公司, or “Hummingbird”), brought a lawsuit against us at the Primary People’s Court of Changning District of Shanghai, claiming performance service fee of RMB16.3 million and attorney’s fee of RMB200,000. We are actively defending ourselves against Hummingbird’s claims based on the argument that the parties did not reach an agreement and enter into a legally-binding contract. As of the Latest Practicable Date, the lawsuit was in the first instance and the court did not render judgment on this case.

Despite the lack of a legally-binding contract, the artist participated in the production of the three episodes due to the tight timeline for program production. We did not pay the artist as the artist had not asserted the right to payment for performance. We have maintained a good cooperative relationship with the artist, who participated in two variety programs we produced in 2021 and 2022 after “Heroes of Remix.” For both programs, we paid the performance fees to the artist’s current management company without any disputes.

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

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

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As of the Latest Practicable Date, we were not aware of any other artists or artist management companies that may initiate similar claims against us. We adopted an internal control policy in October 2016 after the incident with respect to “Heroes of Remix,” to regulate our contracting process with artists who participate in the production of our variety programs or their management companies. Pursuant to the policy, (i) we shall designate specific personnel to negotiate performance service contracts; (ii) the legal team is responsible for drafting the performance service contract template and for overseeing the contracting process; (iii) we shall keep a record of all performance service contracts; (iv) for artists that are managed by artist management companies, we shall only enter into performance service contract with their respective artist management companies; and (v) performance service contracts shall be reviewed and approved by the chief director of the relevant variety programs, the legal team, as well as our chief financial officer or chief executive officer. For more details about our internal control measures, see “— Risk Management and Internal Control Systems — Regulatory Compliance Risk Management” and “— Risk Management and Internal Control Systems — Legal Risk Management.”

The ongoing litigation in relation with music IP infringement

During the Track Record Period and up to the Latest Practicable Date, there were six pending lawsuits where copyright holders initiated lawsuits against us for copyright infringement. In the six pending lawsuits, we were sued as a co-defendant with satellite TV networks and/or broadcasting platforms in relation to two music IPs, and the claims were RMB4.8 million in total.

We have put continuous efforts and implemented internal policies during the production of our music works to avoid potential infringement on third party’s intellectual property rights, and have set up task forces within our legal team and music production team to oversee the intellectual property issues during our daily operation. For more details about our internal control measures, see “— Our Businesses — Music IP Operation and Licensing — Music IP Library,” “— Risk Management and Internal Control Systems — Regulatory Compliance Risk Management” and “— Risk Management and Internal Control Systems — Legal Risk Management.”

Our Directors are of the view that this ongoing lawsuits would not have a material impact on our operations or financial condition considering (i) implemented internal control measures, (ii) the insignificant amount of claims of the music IP related disputes during the Track Record Period and (iii) our financial condition. As advised by our PRC Legal Advisor, based on the above, the risks that our Group’s operation and financial performance could be materially affected by the two legal proceedings with two music works involved are remote.

Concluded Litigations and Arbitration

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

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The litigation with MBC concluded in August 2022

In October 2016, we entered into the October 2016 Agreement with MBC, under which MBC agreed to provide production consulting services to jointly develop a variety program, “Outdoor Reality Show (戶外真人秀),” with us. The key terms of the October 2016 Agreement are as follows:

- *Scope of Service.* MBC agreed to co-produce a variety program, “Outdoor Reality Show,” with us.
- *Fee arrangement.* MBC will receive a joint development fee in the aggregate amount of RMB50 million, which will be paid in installments upon the satisfaction of certain milestones. The down payment of RMB20 million was settled using the down payment MBC returned to us under the Supplemental Agreement.
- *Intellectual Property.* We are the sole owner of the copyrights in the program “Outdoor Reality Show,” including but not limited to the program format, logo and program name.
- *Term.* The term of the agreement is from October 9, 2016 to December 31, 2016.
- *Termination.* If the production or broadcasting of “Outdoor Reality Show” is terminated for regulatory reasons, such as a failure to obtain the written approval from competent government authorities approving the variety programs which would be jointly produced by Chinese companies and Korean companies, the agreement will be terminated. MBC will return part of the joint development fee as agreed between parties.

We had a dispute with MBC regarding whether MBC had fulfilled its obligations under the October 2016 Agreement. We initiated a lawsuit against MBC in April 2019 at the First Intermediate People’s Court of Shanghai Municipality for a judgment ordering MBC to return us the production consulting services fee of US\$2.6 million and pay the damages for breach of contract of US\$520,000 (the “April 2019 Litigation”). In July 2020, MBC filed a counterclaim against us, claiming that “Awesome Challenge — Amazing (我們的挑戰),” a variety program developed and produced by us, is “Outdoor Reality Show” and that it had participated in the program’s production. MBC claimed an aggregate amount of approximately RMB47.5 million from us, primarily covering production fee, penalty for breach of contract, accrued interests for overdue payment. MBC provided (i) WeChat messages between MBC and us, in which the parties brainstormed the theme, filming location and guest selection of a variety program, and (ii) MBC employees’ travel history to and from the PRC, as the basis for its counterclaim. In September 2021, the First Intermediate People’s Court of Shanghai Municipality, in its capacity as the court of first instance, ruled that MBC had partially participated in the production of “Awesome Challenge — Amazing” based on the WeChat messages and the travel history provided by MBC. The court ordered us to pay production consulting services fee of RMB10 million and accrued interest for overdue payment to MBC. The court overruled other claims of MBC and ours, including our claim for the return of the down payment of US\$2.6 million. The ruling is affirmed by Shanghai High People’s Court as the court of second instance in August 2022.

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We made a provision of RMB10.0 million for the judgment as of June 30, 2022 and the down payment of US\$2.6 million we made to MBC was fully impaired in 2016. We had appealed against the judgment of the first instance on October 11, 2021. On November 11, 2021, we were notified that MBC had appealed against the judgment of the first instance on October 13, 2021. The Shanghai High People’s Court, which is the court of the second instance, affirmed the ruling of the court of the first instance in August 2022. SH Xingtou, SH Zhouxing and Mr. Tian have provided an undertaking to jointly and severally indemnify us, with reference to their respective shareholding percentage in Canxing Culture, against any losses arising from this April 2019 Litigation to the extent of the difference between the amount awarded in the final judgment of this litigation and the provision of RMB10.0 million, which we had made for this litigation as of the date of the undertaking. As of the Latest Practicable Date, we had not paid the RMB10.0 million awarded by the court, as we were awaiting further notice from the court regarding the exact amount we should pay pursuant to the judgment, including the accrued interest.

The arbitration with MBC concluded in April 2020

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

The litigation with MBC concluded in June 2021

In June 2015, we entered into an agreement with MBC, under which we licensed the program format from MBC to produce “Great Challenge (了不起的挑戰),” and one supplemental agreement in May 2016 (collectively, the “June 2015 Agreement”). Under the June 2015 Agreement, we will pay MBC a licensing fee for the program format and a production service fee, and share with MBC the revenue of the program from advertising sales and broadcasting right licensing, after deducting costs in association with program production. We and MBC had disputes regarding how much MBC is entitled to with respect to the revenue generated from advertising sales and licensing of broadcasting rights of the program. In January 2019, MBC initiated a lawsuit against us for breach of the June 2015 Agreement, with respect to the allocation of revenue from advertising sales and broadcasting right licensing of the program at the First Intermediate People’s Court of Shanghai Municipality (the “June 2015 Litigation”). MBC claimed an aggregate amount of RMB49.3 million. In June 2021, the First Intermediate People’s Court of Shanghai Municipality awarded an aggregate amount of RMB8.1 million to MBC, which is less than one sixth of the amount claimed by MBC, and the litigation was subsequently concluded.

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Our Directors and our PRC Legal Advisor are of the view that the above-mentioned concluded arbitration and litigation would not have a material impact on our operations or financial conditions, because (i) the claims raised in the settled arbitration and litigation by MBC only involve disputes regarding contract payment, but not ownership of intellectual property rights in our variety programs; and (ii) as of the Latest Practicable Date, the March 2019 Arbitration and the June 2015 Litigation were concluded and fully settled, and there were no further disputes with respect to the matters involved; and (iii) our Directors confirmed that we had made a provision of RMB10.0 million for the April 2019 Litigation.

Based on the due diligence work conducted by the Joint Sponsors and having taking into account, among others, (i) the grounds as set out above, and (ii) the view of the PRC Legal Advisor, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above in any material aspect.

The above-mentioned ongoing and concluded arbitration and litigations with MBC are all disputes regarding contract payments and do not involve disputes over ownership of intellectual property rights. Other than this, we believe that the March 2019 Arbitration and the June 2015 Litigation were not similar in nature with the July 2020 Litigation or the April 2019 Litigation. The former concerns variety programs based on program formats we licensed from MBC. In contrast, the latter concerns variety programs that are developed by us.

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

To the knowledge of our Directors, there was no other pending or foreseeable litigation, arbitration or administrative proceeding against us or any of our Directors that could cause a material and adverse effect on our business, financial conditions or results of operations during the Track Record Period and up to the Latest Practicable Date. See "Risk Factors — Risks Relating to Our Business and Industries — Legal disputes or proceedings may expose us to liabilities, divert our management's attention and adversely affect our reputation."

COMPLIANCE MATTERS

We are subject to a wide range of PRC laws and regulations in the ordinary course of our businesses. For details, see "Regulations."

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Operation of Apps

In July 2020, we launched “Sing! China” app, our self-developed online community mobile app for audience to access information and updates about our “Sing! China” variety program. In May 2021, we applied for and obtained an ICP license for Canxing Culture in order to carry out the operations of the “Sing! China” app. As we later decided to display video content on the “Sing! China” app, we ceased its operations under our own ICP license and engaged an independent third party which holds an AVP license that entitles them to provide such service in 2021. As of the Latest Practicable Date, we did not have any plan, nor did we expect, to carry out any operations under the ICP license of Canxing Culture.

In August 2020, we launched the “Zongbache” WeChat mini-app to provide audience with information and updates of our variety programs other than “Sing! China” variety programs. In May 2021, we applied for and obtained an ICP license for Beiyi Culture in order to carry out the operations of the “Zongbache” WeChat mini-app.

Our PRC Legal Advisor is of the view that we had not obtained the ICP license before May 2021, and did not hold the AVP license before September 2021, and both ICP license and AVP license are necessary to operate the “Sing! China” app in full compliance. In addition, our PRC Legal Advisor is of the view that before we obtained the ICP license in May 2021, we had not obtained the license that is necessary to operate the “Zongbache” mini-app in full compliance.

As advised by our PRC Legal Advisor, (i) according to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), unauthorized operation of internet information services without obtaining an ICP license, or provision of services beyond the licensed scope can subject a company to various penalties, including rectification within a certain period of time, confiscation of illegal income, imposition of a fine that is between three times and five times the amount of illegal income, and/or termination of the illegal operations, if the non-compliance is serious. and (ii) according to Administrative Regulations on Internet Audio-Visual Program Services (《互聯網視聽節目服務管理規定》) and Regulations on Radio and Television Administration (Revised in 2020) (《廣播電視管理條例》(2020年修訂)), a company that provides internet audiovisual program services without an AVP license may be subject to penalties including warning, rectification, and/or a fine of up to RMB30,000 by relevant authorities. If the non-compliance is serious, the company may also be subject to termination of the illegal operations, confiscation of equipment used in illegal operations, and imposition of a fine that is between one to two times the total amount of the relevant investment.

During the respective non-compliance periods of our mobile app and WeChat mini-apps, the amount of our revenue generated from the operation of our mobile app and WeChat mini-apps were approximately RMB752,000 and RMB275,000, respectively, and our investment in “Sing! China” app was approximately RMB2.0 million. Our PRC Legal Advisor is of the view that, based on the amount of revenue generated from and the amount of investment in app and mini-apps provide by us, the maximum exposure for our non-compliance is approximately RMB9.0 million as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any investigation, penalty or recourse with respect to our operation of mobile app or WeChat mini-apps.

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We have put continuous efforts and implemented a series of internal control measures to strengthen our internal control measures and prevent the recurrence of similar non-compliances. For example, our management communicates important legal compliance requirements during internal meetings on a regular basis. Our legal department is responsible for the management of compliance affairs through contract management process and provide legal consultations in the normal course of our business operations. In addition, we engaged third-party legal counsels to provide legal support and services, including providing contract review services, legal feasibility analysis for our business plans, and legal-related risk trainings to our legal department and other relevant departments. For more details about our internal control measures, see “— Risk Management and Internal Control Systems — Regulatory Compliance Risk Management” and “— Risk Management and Internal Control Systems — Legal Risk Management.”

Regulations Relating to Cultural and Entertainment Content

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

To better comply with the latest content and format requirement, in particular the requirements regarding “Fan Circle” issues, we have taken a combination of measures, including: (i) keeping our director’s team and technical team informed of the latest regulatory development so that they can all comply with the recent regulatory changes in the pre-production, production and post-production stages of the programs; (ii) conducting a thorough review of our pipeline programs to identify and remove any content that has potential non-compliance issues; (iii) regularly reviewing the marketing and promotional materials for our variety programs to identify and avoid any potential non-compliance issues; (iv) keeping abreast of the development of the regulations and policies and keeping our artist management team informed of the latest regulatory development; and (v) instructing our legal team to pay special attention to the recent regulatory development in reviewing contracts, to identify and avoid potential non-compliance. For details, see “— Risk Management and Internal Control Systems.”

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In particular, the Circular on Further Strengthening the Management of Cultural and Entertainment Programs and Industry Participants requires relevant government agencies to strengthen the supervision on the cultural and entertainment industry. Although the relevant authorities haven't released any normative documents in respect of the notice so far, and how the notice will be implemented is subject to uncertainty, a broadcasting platform and we agreed to cancel the contract which was previously entered into for a planned variety program as a prudent approach to following the principles in the notice. As we had not started the production process and the pre-production fees in relation to the cancellation of the planned program was fully undertaken by the broadcasting platform, therefore we did not incur any loss for the canceled planned program. Our Directors believe that other than this canceled plan, all of our pipeline programs were in compliance with the recently published regulations, and we did not cancel or materially modify any other variety programs in our pipeline due to the regulatory developments as of June 30, 2022 and up to the Latest Practicable Date.

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

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

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

Regulations Relating to Restriction of Wages

On October 31, 2018, the NRTA issued the Notice on Further Strengthening the Administration of Radio, Television and Online Audio-Visual Cultural and Art Programs (《關於進一步加強廣播電視和網路視聽文藝節目管理的通知》) (the “Maximum Wage Order”). For details, see “Regulations — Regulations in Relation to Restriction of Wages.”

As advised by our PRC Legal Advisor, content production companies and broadcasting platforms of web movies, drama series and variety programs shall submit reports disclosing the payments to all actors and principal actors to NRTA or its local branches for review before they can obtain the necessary license to distribute such content. We had been in compliance with the Maximum Wage Order since its implementation and the reports have been submitted in due course before the programs we produced are launched. Our legal department is responsible for reviewing the contracts with actors to ensure their compliance with the Maximum Wage Order.

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Our Directors, as advised by our PRC Legal Advisor, are of the view that the Maximum Wage Order has no material adverse impact on our operation and financial performance. During the Track Record Period and up to the Latest Practicable Date, we had not been subject of any review, inquiry, or investigation by any PRC regulatory authority pursuant to the Maximum Wage Order. Based on the confirmation of our Company and the public search, our PRC Legal Advisor is of view that we had substantially complied with the Maximum Wage Order since it was implemented and up to the Latest Practicable Date.

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

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

Regulations Relating to Artists Management

On May 20, 2022, the NRTA issued the Administrative Measures for Performance Agencies in the Field of Radio, Television and Online Audiovisual Platforms (《廣播電視和網絡視聽領域經紀機構管理辦法》), pursuant to which artist brokerage agencies: (i) shall confirm the identity of its artists; (ii) shall obtain the prior consent of the statutory guardians when providing artist brokerage services to minors, and shall not organize minors to perform in activities that would harm their physical or mental well-being; (iii) shall not arrange its artists to perform in illegal, disruptive or immoral entertainment content; (iv) shall have enough staff that matches business needs and the ratio of the number of brokers to the number of their artists shall be in principle not less than 1/100; (v) shall not authorize minors to serve as the owner or operator of the accounts of an artist's official fan club; (vi) shall not publish, or hire others to publish, information that could incite fans to attack each other; and (vii) shall not provide brokerage services to its managed artists to perform in advertisements with illegal content.

As of the Latest Practicable Date, all of our managed artists were adults. In reaction to the requirements regarding protection of minors, we have implemented comprehensive internal control measures which, in the event that we have underage managed artists, would require us to (i) communicate with minors' guardians before entering into artist management contracts with them and require the consent of their guardians, who will also sign as a party to the artist management contract; (ii) obtain the consent of their guardians before we arrange commercial activities for our underage managed artists; (iii) pay close attention to the physical and mental health of our underage managed artists; (iv) pay close attention to, guide and supervise the activities of fans' of the our managed underage artists; (v) in the event that we shall set up

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official fan club accounts for our managed artists, we will review and make sure that the content published by us on the fan club accounts is accurate and in compliance with the relevant regulations; and (vi) review and approve contracts relating to our managed artists and closely monitor and circulate updated laws, regulations and policies in relation to the entertainment industry to our managed artists and employees from time to time. As of the Latest Practicable Date, we did not own or operate any account of our artists’ official fans clubs. In the event we will set up account of our artists official fan club, we will not authorize minors to serve as the owner or operator of the accounts. In addition, we have implemented several internal control measures in compliance with the above regulations. Our legal department is responsible for reviewing and approving contracts, monitoring updates to and changes in laws and regulations applicable to our business and operations. We have engaged and will continue to engage third-party legal counsels to provide legal support and services. For more details about our internal control measures, see “— Risk Management and Internal Control Systems — Regulatory Compliance Risk Management.”

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and belief of our Directors, we were in compliance with each of the requirements mentioned above under the above-mentioned regulation and had not been the subject of any review, inquiry, investigation or punishment by any PRC regulatory authority pursuant to the above notice, and our Directors believe that this notice has not affected, and will not materially affect, our Group’s operation and financial performance. Based on the confirmation of our Company and the public search, our PRC Legal Advisor is of view that we had substantially complied with the above-mentioned regulation since it was implemented and up to the Latest Practicable Date.

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

As advised by our PRC Legal Advisor, according to the Legislative Law of the PRC, which provides that unless otherwise provided for relevant prescribed purposes, PRC laws, administrative regulations, local regulations, autonomous regulations, special regulations, administrative rules or local rules do not have retrospective effect, the above-mentioned regulation in relation to artists management shall have no retrospective effect.

Regulations Relating to Anti-trust Control

In February 2021, the SAMR promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (《關於平台經濟領域的反壟斷指南》), aiming to improve anti-monopoly administration on online platforms. On July 24, 2021, the SAMR issued an administrative decision to a certain online music platform, requiring it to relinquish its exclusive music licensing contracts held with its suppliers, which encourages distribution of music works on a wider selection of platforms. On January 6, 2022, the National Copyright Administration (“NCAC”) held a regular talk with influential market players in the digital

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music industry, emphasizing that, among other things, online music platforms shall not sign exclusive music licensing contracts except under a limited number of special circumstances (collectively, with the Guidelines to Anti-Monopoly in the Field of Internet Platforms and the administrative decision issued by SAMR on July 24, 2021, the “Anti-trust Control Measures”).

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

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

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

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

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Data Privacy and Protection Regulation

On December 28, 2021, the Cyberspace Administration of China (the “CAC”) jointly issued the Cybersecurity Review Measures with other government authorities, which became effective on February 15, 2022 (“Review Measures”). For details, see “Regulations — Regulations in Relation to Data Privacy and Protection Regulation.” As of the Latest Practicable Date, we were not identified as a “critical information infrastructure operator” by any governmental authorities.

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

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

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

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

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

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

With regard to the internal control measures set out above, after undertaking relevant due diligence, including but not limited to discussions with the Company, the PRC Legal Advisor to the Company and the internal control consultant, and subject to the full implementation and enforcement of these measures, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the adequacy of the enhanced measures for the prevention of recurrence of the non-compliances.

DATA PROTECTION AND PRIVACY

We are committed to complying with data privacy laws and protecting the security of users’ data, and have implemented policies for data-related operations within the Company. We operate our proprietary mobile app, the “Sing! China” app, and a WeChat mini-app, the “Zongbache” (綜巴車) mini-app, to offer an engaging social network platform for our audience. As of June 30, 2022, there were more than 1.2 million registered users on the “Sing! China” app and more than 68,000 registered users on the “Zongbache” mini-app. We collect certain user data from users of our “Sing! China” app and “Zongbache” mini-app, such as user’s name, cell phone number, gender, place of birth, among others. We have adopted an access control policy that enables us to grant limited authorization to our employees holding specific positions at specific levels to access and process customer data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignments in authorized workplaces. We have also implemented an encryption program that encrypts the sensitive and confidential information stored by us, and a data desensitization program that desensitize confidential and sensitive data.

We are committed to complying with data privacy laws and protecting the security of users’ data. Our data usage and privacy policy, which is provided to every user of our “Sing! China” app and “Zongbache” mini-app, describes our data use practices and how privacy works on the apps. Specifically, we provide users with prior notice as to what data are being collected and we require users’ consent before the data is collected. Users are also required to acknowledge the terms and conditions of the user agreement before using our apps. We undertake to manage and use the data collected from users in accordance with applicable laws and make reasonable efforts to prevent the use, loss, or leak of user data without users’ approval except under legal requirement.

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We have a dedicated data security team who are responsible for enforcing procedures regarding the management of data security. The team consists of four full-time employees with an average of approximately 16 years of experience in the internet and/or information security industry. Some of them also had received relevant qualifications such as Qualification Certificate of Computer and Software Technology Proficiency (計算機技術與軟件專業技術資格(水平)考試). Our dedicated data security team maintains cyber security, application security and data security through various technologies including encryption, anti-virus software and firewall, to safeguard the customers’ data security and integrity in avoidance of any data breach, cyber attack or loss of confidential information. Our internal departments and personnel are required to comply with our data security regulations in relation to information system security, including those with respect to storage, transmission, processing and destruction of classified information. In addition, we include confidentiality clauses in our labor contracts, which prohibits our employees from disclosing any confidential information relating to their work and customers without our consent.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to promoting corporate social responsibility and sustainable development as well as integrating these principles into all major aspects of our business operations. We consider corporate social responsibility as part of our core growth philosophy that will be pivotal to our ability to create sustainable value.

Environmental Sustainability

Risks and opportunities

As a result of global warming, extreme weather and climate conditions, such as blizzards, typhoons and rainstorms, are becoming more frequent. Associated physical damage, transition risks and shift in market perception and preference of the public towards more environmentally friendly products and services have all made climate change a prominent issue for businesses. For example, we may suffer economic losses if outdoor variety programs we produce, co-produce or co-invest in are delayed or canceled due to extreme weather. The sudden cancelation or postponement of such events will incur extra costs and may affect our revenue. In addition, when our managed artists provide services to customers, such as participating in offline business promotion activities, other commercial activities, or performing in movies, drama series and variety programs, the timely completion of such services may be hindered by extreme weather events, which may cause a disruption to our artist management activities. We will closely monitor the daily observatory prediction, and notify our employees and personnel promptly with necessary measures in case of extreme weather conditions to mitigate such risks.

We are also subject to transition risks, which refer to financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate regulation and policy, market sentiment and customer preference. We will reflect on the market perception of environmental issues, and climate-related regulatory and policy changes on a regular basis in order to mitigate transition risks. In the medium to long

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term, governments may change existing or enact new environmental, social and climate-related laws and regulations, which may affect our business, results of operations and financial position directly or indirectly. We take these issues into account when developing our business strategies and may adjust our strategy to changing environmental, social and climate-related landscape.

Commitment to environmental protection

We are committed to promoting sustainable development and corporate social responsibility as well as integrating these principles into all major aspects of our business operations. While our business operations do not produce pollutants that directly affect the environment, we have established comprehensive internal governance regarding environmental, social and corporate governance (“ESG”) issues or risks.

Our Board of Directors has a collective and overall responsibility for formulating, adopting and reviewing our ESG vision, policy and target, and evaluating, determining and addressing our ESG-related risks. In particular, our Board of Directors assumes the responsibilities of identifying and addressing risks and opportunities that may affect our operations and performance with respect to ESG matters, including but not limited to the following:

- developing and adopting our ESG policies, strategies and targets;
- reviewing our performance against ESG-related targets; and
- revising relevant strategies when we discover significant deviations from the ESG targets.

In addition, our Board of Directors may assess or engage independent third parties to evaluate our ESG risks and review our existing strategy, target and internal controls. We plan to set up a sub-committee of our Board of Directors to be responsible for the execution of our ESG-related policies upon [REDACTED], which will be led by chief executive officer of our Company. Our production management personnel will be the main personnel executing our ESG policies in our daily business operations.

Metrics and targets on ESG and climate-related risks

As our business does not relate to manufacturing and production, we do not have any direct negative impacts on the environment, but we will regulate ourselves to reduce indirect negative impacts on the environment in future operations. In implementing our ESG related strategies, we use key performance indicators (“KPIs”) to evaluate ESG results annually in order to help ensure we meet our requirements and take corrective actions when necessary. In setting targets for the ESG-related KPIs, we have taken into account their respective historical levels and our future business expansion with a view of to achieve sustainable development.

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The total resources used by our head office in Shanghai in 2021 in our usual and ordinary course of business operations were as follows:

- *Electricity consumption.* We have monitored our electricity consumption levels and implement measures to improve energy efficiency. In 2021, our electricity consumption level was approximately 771,425 kWh, representing approximately 212.2 kWh/Meter².
- *Paper consumption.* We encourage the use of online system for internal administrative procedures to reduce the use of paper documents, and we avoid waste of paper by promoting printing on both sides. In 2021, we used approximately 0.3 million sheets of paper in total.
- *Health and safety.* We are committed to offering a fair, safe and caring working environment to our employees. During the Track Record Period and up to the Latest Practicable Date, there was no work-related fatality case and the number of days of absence due to work-related injuries was nil.

To better protect the environment, we have been gradually adopting more sustainable and eco-friendly measures and intends to reduce our energy consumption in our daily operations. We have decided to establish the following targets, including:

- Reduce the consumption level of electricity per square meter by 1% of our current level by the end of 2023 and 3% by the end of 2025, respectively;
- Reduce our paper consumption by 1% of our current level by the end of 2023 and 3% by the end of 2025, respectively; and
- maintaining the fatality and injury rate at a similar level.

Internal Control Measures

To achieve our targets, our legal department will execute the ESG-related policies and measures, and our management team, led by our chief executive officer, will review the execution process on a regular basis. We also plan to to implement the following internal control measures, including, among others, (a) encouraging staff to switch off unused office equipment, such as computers, lights, and air-conditioners; (b) imposing temperature controls for air conditioning and keeping indoor air-conditioning temperature at 26°C at all times; (c) reducing the use of paper documents and promoting printing on both sides and using recycled paper if necessary; (d) actively using online office and video conference technologies to reduce on-site meetings; (e) encouraging the use of online system for internal administrative procedures; (f) avoiding waste of food during the filming process; (g) conducting waste classification training; (h) placing waste sorting bins at our venue; (i) recycling the clothes, costumes and stage properties in the variety programs we produced; and (j) use and recycling environmental-friendly materials during the production of our variety programs.

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We pay close attention to the regulatory development in the pan-entertainment industry to comply with any updated laws, regulations and policies. Our in-house legal staff are responsible for keeping abreast of the regulatory development in relation to our business and operations. In addition, we also provide opportunities to our employees to attend forums, workshops and external trainings on these related topics.

For more details about our internal control measures, see “— Risk Management and Internal Control Systems — Internal Control Measures Regarding ESG” and “— Risk Management and Internal Control Systems — Regulatory Compliance Risk Management.”

Caring for Our Employees

We are committed to cultivating a collaborative company culture underpinned by honesty, innovation and passion. We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. As of June 30, 2022, 244 out of 419, or 58.2% of our total employees were female. We value the contribution of each employee in different roles and strive to provide an environment that inspires teamwork. We want our employees to treat each other with care and respect and have the opportunity to apply their talent to work. We have established labor union since 2018 to formulate and execute policies to protect our employees’ labor rights and benefits. We continue to foster a positive working atmosphere that enables us to build a collaborative team with operational excellence.

Health, Safety, Social and Environmental Matters

We are endeavoring to promote positive social values through the significant influence of our programs. We produced some episodes or content of our variety programs with the theme of environmental protection to raise people’s awareness on this topic, such as some dances in “Street Dance of China 2021” and “China’s Got Talent 2019.”

We believe the power of performing arts in encouraging people. To show the tribute to the healthcare workers and volunteers who fought at the forefront of the pandemic battle, we held the annual final competition of “Sing! China 2020” in Wuhan and produced a tribute video. For details, see “— Awards and Recognitions.”

We are equally committed to promoting corporate social responsibility through charitable endeavors and by extending the benefits of our ecosystem to the society. We promoted the care for the elderly in a dance in “Street Dance of China 2019.” We held live charity concert on May 1st, 2022 on the theme of spreading love and happiness with music to the society. Any illegal behaviors of the artists we collaborated with are strictly prohibited in accordance with our agreements with them. In addition, we formulate the voting mechanisms in our programs in compliance with applicable rules and regulations. We discourage and do not allow any fan’s off-site voting, ranking list and other support activities in our programs.

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Our business does not involve significant health, work safety or environmental matters, other than being in compliance with applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We face a variety of risks in our daily business operations, including operational risk, regulatory compliance and legal risk, financial reporting and credit risk, intellectual property rights risks, information system risks and human resource risk. We have established a risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. Our management proactively monitors the risks we are faced with and ensures our risk management policies and protocols are effectively implemented.

We have adopted and implemented the following risk management policies and protocols.

Operational Risk Management

We are faced with operational risks relating to our daily operations, which primarily arise from inadequate or failed internal controls and systems, human errors, IT system failures or external events. We consider these operational risks to be the key risks in our business and believe that, with adequate operational policies and procedures, these inherent risks can be controlled and mitigated. To ensure effective risk management, we have put in place a detailed risk management policy which sets out the main operational risks and risk control measures of each department within the Company. We conduct risk management evaluation on an annual basis and our internal audit department will report the evaluation results to our Directors for further improvement.

Regulatory Compliance Risk Management

We are subject to extensive and evolving regulatory requirements, including requirements to obtain and renew certain licenses, permits, approvals and certificates for our business operations. In order to manage our ongoing compliance with the laws and regulations applicable to our business effectively, we have implemented several internal control measures. Our legal department is responsible for reviewing and approving contracts, monitoring updates to and changes in laws and regulations applicable to our business and operations. In addition, we require our legal department to review the status of our licenses and permits on a regular basis and ensure we obtain requisite licenses to operate our business and we have the up-to-date understanding with the applicable requirements. Furthermore, we keep abreast of the developments of regulations and policies and keep our directors, management and employees informed of the latest regulatory development during internal meetings on a regular basis. We also engage third-party legal counsels to provide legal support and services.

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Legal Risk Management

During our business operations, we have implemented comprehensive internal control measures and policies in managing our legal risks.

- **Contract Management.** We require our legal department to participate in the whole process of contract negotiation and identify potential legal risks. Our management oversees the performance and fulfillment of the contracts, and are required to address any potential problems identified in a timely manner. In addition, we engage third-party legal counsels to provide legal support and services, including contract review services, legal feasibility analysis for our business plans, and legal-related risk trainings to our legal department and other internal departments.
- **Artist Participation.** We have implemented internal control measures to standardize our performance service contracts with artists who participate in our variety program production. Performance service contracts shall be reviewed and approved by the chief director of the relevant variety programs, the legal department, as well as our chief financial officer or chief executive officer.
- **Music IP Management.** We have implemented internal control measures regarding the production of our music works to avoid potential infringement on third party’s intellectual property rights, and have set up task forces within our legal department and music production team to oversee the intellectual property issues during our daily operation. For example, for music works produced in association with our variety programs, the lyrics and music compositions have to be pre-approved by the intellectual property task force within the music production team, which will be responsible for identifying the relevant copyright holders and obtaining their consent, before they can be used in the programs. The task force within our legal team will conduct a comprehensive review on the program and identify any intellectual property issues. In addition, we require our intellectual property task force to conduct review on our variety programs and the music works on an on-going basis after the programs and music works are published. In the event that the task force identifies any potential copyright infringement issues, it will take remedial measures to minimize the risks. Furthermore, we have engaged external legal counsel to (i) provide case support, contract review and legal feasibility analysis with respect to important copyright issues, and (ii) provide our management members, legal department and other relevant departments with trainings on legal risk management, who will communicate important legal compliance requirements to employees through internal meetings.

Financial Reporting and Credit Risk Management

We have established an internal policy to monitor our receivables and working capital on an on-going basis to minimize potential credit risks. Our accounting team performs ongoing credit evaluations of our counterparties and works closely with our legal team and business development team to evaluate the credit worthiness of each customer to minimize the risk of overdue payments. See “— Our Customers — Payment Terms and Credit Management” in this section for more information about our efforts and measures in credit risk management.

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We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policy and budget management policy. We also have various procedures in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. Specifically, we have adopted the Financial Accounting Management Policies (《財務會計管理制度》) and the Major Accounting Process Accounting Reporting Process (《重大會計處理會計報告流程》), which incorporated the relevant requirements under the Listing Rules and have been reviewed by our internal control advisor.

We have also established an internal audit team which will perform internal review over our financial reporting process annually. The scope of work of our internal audit team includes, without limitation, preparing periodic reports for the review of the audit committee, proposing appropriate measures in response to risk exposure where necessary, and continuously monitor major risks related to our operations and internal control systems. In addition, we have established an audit committee which reviews and oversees the compliance, accounting policies and financial reporting procedures and the implementation of such policies and procedures performed by the internal audit team with appropriate qualifications and adequate experience in internal control and risk management industry.

Intellectual Property Rights Risk Management

We have devoted ourselves to establishing and maintaining intellectual property rights risk management and internal control procedures to protect our intellectual property rights and prevent liabilities resulting from infringement of third-party intellectual property rights. Our legal team is responsible for reviewing and approving contracts and protecting our legal rights, including intellectual property rights. Our legal department also assists our business department in ensuring that all necessary applications or filings for trademark, copyright and patent registrations have been timely made to the competent authorities, and that our intellectual properties are under the protection of relevant laws and regulations. See “— Intellectual Property” in this section for more information about our efforts and measures in intellectual property rights risk management.

Information System Risk Management

Sufficient maintenance, security and protection of our data and other related information are critical to our business. We have implemented various internal procedures and controls to ensure that our data are protected and that leakage and loss of any information is avoided. See “— Data Protection and Privacy” in this section for more information about our efforts and measures in information system risk management.

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Human Resources Risk Management

We have in place an employee handbook and a code of conduct which have been distributed to all of our employees. The handbook contains internal rules and guidelines regarding anti-corruption, conflicts of interests, work ethics, confidentiality, data security and intellectual property protection. We provide employees with regular training as well as guidance on the requirements contained in the employee handbook. In particular, we have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our employees to report any bribery and corruption acts on an anonymous basis.

Internal Control Measures Regarding ESG

We have implemented internal control measures to reduce our environmental impact and carbon footprint. For details of internal control measures in relation to our ESG-related issues, see “Business — Environmental, Social and Governance — Environmental Sustainability — Internal Control Measures.”

To improve our risk management and internal control systems, we have engaged an internal control advisor to make recommendations to us on, amongst others, measures over internal compliance, accounting policies, human resources, research and development, information system, and on-going measures to monitor the effectiveness of the policies, procedures and measures of our Company.

Corporate Governance Measures

We have established an Audit Committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The qualifications and experiences for each of the members in the Audit Committee are set out in the section headed “Directors and Senior Management” in this document. Upon [REDACTED], our Group will comply with the risk management and internal control provision in Appendix 14 to the Listing Rules.

Upon [REDACTED], the Audit Committee will take lead to ensure that our Board reviews the effectiveness of our Group’s risk management and internal control systems and reports at least annually to our Shareholders. The review will cover topics on all material controls, including financial, operational and compliance controls; the adequacy of resources, staff qualifications and experience and training programs; and budget of our Company’s accounting, internal audit and financial reporting functions. Upon [REDACTED], our Company will conduct the said review and make disclosures in compliance with risk management and internal control provisions pursuant to Appendix 14 to the Listing Rules. Based on the above, our Directors are of the view that adequate risk management and internal control systems and corporate governance measures are in place for our business operations.