

RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

Our business depends significantly on our managed artists’ reputation and the public’s perception of our brand. Any negative publicity on our managed artists, our Company and management, business partners or industry, may harm our brand image, which could materially and adversely affect our business, financial condition or results of operations.

We believe that maintaining and enhancing our Yuehua brand is critical to the success of our business. Our business depends significantly on the reputation of our managed artists. Any lawsuits, non-compliance with laws or regulations, personal misbehaviors, rumors or negative publicity involving our managed artists, even if inaccurate or without merit, may significantly harm the reputation of these artists and our Group and have an adverse impact on our promotion activities for such artists, which could materially and adversely affect our business, financial condition and results of operations. We have carried out background search on the artists before entering into artist management contracts with them. We also maintain strict management of the daily behaviors of our managed artists and trainees. However, we cannot assure you that our managed artists (including their related entities) and trainees will not be involved in any unforeseeable incidents beyond our control, such as immoral behaviors or non-compliance with the laws and regulations, including tax laws and regulations. Such incidents may result in negative publicity and reputational damage to our Group and our managed artists. Nor can we assure you that we will be able to timely detect or effectively respond to future negative publicity involving our managed artists or trainees.

Furthermore, negative publicity involving us, our management, our business partners or our industry, whether justified or not, may harm our brand. In particular, given the nature of the entertainment industry, we are more exposed and susceptible to negative publicity. Damage to our reputation and our brand may reduce demand for the services from our artists and have a material and adverse effect on our business, results of operations and financial condition. Moreover, any attempt to rebuild our reputation and restore the value of our brand may be costly and time consuming, and such efforts may not ultimately be successful.

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We generate a substantial portion of our revenue from our artist management business. If we fail to maintain our relationship with artists and trainees or enlarge the number of artists and trainees managed by us, our business, financial condition and results of operations could be materially and adversely affected.

Through our artist management business, we provide services to our customers, such as domestic and international brands, content producers and media platforms, by arranging our managed artists to (i) participate in commercial activities, such as endorsement deals, business promotion and commercial performances, and (ii) provide entertainment content services such as performing in movies, drama series and variety programs. A substantial portion of our revenue is generated from our artist management business. In 2019, 2020 and 2021 and the nine months ended September 30, 2022, revenue generated from our artist management business was approximately RMB530.2 million, RMB808.2 million, RMB1,174.8 million and RMB677.7 million, respectively, which accounted for approximately 84.0%, 87.7%, 91.0% and 90.1% of our total revenue for the same periods, respectively. Our managed artists are suppliers to our artist management business and we rely on the services provided by them, especially the top ten artists in terms of our revenue attributable to their services in each period of the Track Record Period. The aggregate amount of revenue attributable to our top ten artists for 2019, 2020 and 2021 and the nine months ended September 30, 2022 accounted for 74.8%, 83.0%, 85.6% and 87.2% of our total revenue for the corresponding periods, respectively. The revenue attributable to our top one artist for 2019, 2020, 2021 and the nine months ended September 30, 2022, accounted for 16.8%, 36.7%, 49.5% and 58.8% of our total revenue for the corresponding periods, respectively. Our artist management business is dependent on our continuous relationships with our managed artists. Our relationships with our managed artists can be affected by a number of factors, such as our artist operation capability, our training system, the terms and conditions we offer in the artist management contracts and our brand recognition in the market. In addition, when an artist renews his or her contract with us, we may agree to give the artist a right to terminate the contract with us after a specific number of years. For more details about our relationships with our managed artists, see “Business—Our Business—Relationship with Artists.” Although the relationships with our managed artists remain stable, we cannot assure you that we will be able to maintain such relationships with all or any of these artists, nor can we assure you that the key terms and conditions in the artist management contracts will remain the same when artists renew their respective artist management contracts with us.

Another important component of our success in artist management business is our ability to enlarge the number of artists and trainees managed by us. We may face substantial risks when enlarging the number of our artists and trainees. We need to invest significant time, labor and fund in the process of attracting and training new artists and trainees, and it may take a long time before we can procure commercial opportunities for them. The new artists or trainees may not be able to achieve success as we expect. If we fail to procure desirable opportunities for our artists to participate in commercial activities or perform in movies, drama series and variety shows, we may not be able to attract trainee candidates or maintain relationships with new artists. We cannot guarantee that we will be able to enlarge the number of managed artists and trainees within a reasonable period of time, or at all, and we may incur substantial costs and expend resources even if we are successful in attracting more managed artists and trainees. Under such circumstances, our business, financial condition and results of operations could be adversely affected.

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Our business is highly sensitive to public tastes and is dependent on our ability to secure and develop popular artists, and we may not be able to anticipate or respond effectively to changes in audience’s preferences and market trends, which could materially and adversely affect our business, financial condition and results of operations.

Our business is highly sensitive to rapidly changing public tastes, which may vary among people of different generations and backgrounds, and the continued success of our business depends on our ability to secure and develop popular artists. Our artist management business depends in part on our ability to anticipate the tastes of audiences, to train or retain artists who appeal to audiences, and to engage our managed artists to perform in popular and quality entertainment content. The artists we manage may not be able to gain popularity and audience’s attention as anticipated due to changing tastes, market trends, general economic conditions or otherwise, which could adversely affect our business. Although we are now managing a number of artists in the market, we cannot assure you that such success will continue. If we fail to effectively satisfy the evolving needs and preferences of the public, we may fail to recoup our significant investment in artist training, and we may be required to incur additional costs to attract new artists or provide extra training tailored to the changing public tastes, which would have a material adverse effect on our business and results of operations.

The success of our music IP production and operation and pan-entertainment business, such as development of virtual artists, also depends on our ability to anticipate the preferences of the audience. Despite our efforts to conduct in-depth market research to anticipate the trends of the pan-entertainment market in the near future, we can give no assurance that we will successfully develop attractive musical works or launch popular virtual artists that meet the continually changing public tastes. Under these circumstances, our business, financial condition and results of operations could be adversely affected.

Our business depends, in significant part, on the general prosperity and development of China’s overall entertainment industry, corporate spending and discretionary consumer spending. Challenging economic conditions and other negative factors may impact corporate and consumer spending, which could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on discretionary consumer and corporate spending. Many factors affect corporate spending and discretionary consumer spending, including economic conditions affecting disposable consumer income such as inflation, unemployment levels, interest rates and changes in tax laws that impact companies or individuals. Negative factors, such as challenging economic conditions resulting from recession, inflation, lack of access to capital, and lack of consumer confidence, can impact corporate and consumer spending. During historical periods of economic slowdown and recession, many consumers reduced discretionary spending in entertainment and enterprises reduced expenditures in promotion and advertising. The impact of economic slowdowns on our business is difficult to predict. Although we have made efforts to minimize such impact through continuous business operations and customer base expansion, challenging economic conditions may still result in reductions in the demand for services provided by our managed artists, which could materially and adversely affect our ability to generate revenue. We give no assurance that consumer and corporate spending will not be adversely impacted by current economic conditions, or by any future deterioration in economic conditions, which could have a material adverse effect on our business, financial condition and results of operations.

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If we fail to maintain our business relationship with our major customers or expand our customer base, our business, financial condition and results of operations could be materially and adversely affected.

The success of our business depends on our ability to maintain our business relationship with our major customers. During the Track Record Period, our customers primarily included (i) domestic and international brands, (ii) media platforms and content producers and (iii) music service providers. In 2019, 2020 and 2021 and the nine months ended September 30, 2022, revenue generated from our five largest customers amounted to RMB173.3 million, RMB245.2 million, RMB301.2 million and RMB148.1 million, respectively, accounting for approximately 27.4%, 26.5%, 23.4% and 19.6% of our total revenue for the same periods, respectively. For more details, see “Business—Our Customers.” Our relationships with our existing major customers depend on a number of factors, such as the quality of services provided by our managed artists to our customers, the popularity and reputation of our managed artists, and our ability to produce high-quality musical works. Although the relationships with our existing major customers remain stable, we cannot assure you that we will be able to maintain such relationships with all or any of these customers, nor can we assure that the key terms and conditions in the agreements we entered into with our customers will remain the same when they renew the agreements with us. We are also dedicated to expanding our customer base to bring more business opportunities and generate more revenue. However, we cannot assure you that we will be able to secure new customers of similar scale or on comparable contract terms. We may need to incur substantial costs and expenses in marketing and promotion, and it may take a long time before we start to generate revenue from new customers, which could materially and adversely affect our business, financial condition and results of operations.

The entertainment industry is extensively regulated in China. Our failure to comply with evolving laws, rules, regulations, policies and other legal uncertainties could materially and adversely affect our business, financial condition and results of operations.

With the continuous development and growth in entertainment industry in the PRC, the government may issue and promulgate new regulations and laws from time to time to encourage a healthy and orderly development of the entertainment market. A series of regulations and policies were issued during the Track Record Period and up to the Latest Practicable Date, including: (i) regulations relating to management of activities of artist and artist management companies; (ii) regulations relating to restrictions of wages; (iii) notices in relation to the taxation of culture and entertainment industry; and (iv) regulations in relation to anti-trust control. For details of the relevant regulations and analysis of their impact on the Group, see “Regulation—Laws and Regulations in Relation to Our Business in the PRC” and “Business—Our Business—Recent Regulatory Development.”

Our artist management, music IP production and operation and pan-entertainment businesses are directly or indirectly subject to these regulations and policies to varying degrees. For example, we may not be able to completely monitor and control the behavior or speech of our managed artists, our trainees and the artists’ followers. If they fail to comply with the relevant laws, regulations, rules and policies promulgated from time to time, we may face penalties by relevant authorities, which could adversely affect our reputation and business operations. Moreover, content production companies and media platforms, which are among the major customers of our artist management business, are directly regulated by the Maximum Wage Order, which imposes certain restrictions on the amounts of remuneration for artists performing in web movies, drama series and variety programs. We cannot guarantee that all of our customers would be in compliance with the restrictions at all times. As

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advised by our PRC Legal Advisor, as of the Latest Practicable Date, the Maximum Wage Order in its currently effective form does not stipulate that the performing artists and their respective artist management companies would be subject to administrative penalties for non-compliance of the content production companies and media platforms. However, in the event that a web movie, drama series or variety program in which our managed artist performed is found to be non-compliant of the requirements under the Maximum Wage Order, we cannot assure you that we or such managed artists will not be held liable or become the subject of any review, enquiry or investigation by any PRC regulatory authorities in relation to the Maximum Wage Order in the future. For more details about the impact on our business of recent regulatory development, see “Business—Our Business—Recent Regulatory Development.” Any of the above circumstances may adversely affect our business, financial condition and results of operations.

In response to recent regulatory development, we have adopted internal control policies and measures to monitor and ensure our compliance with the new regulations. For details about our internal control measures, see “Business—Our Business—Recent Regulatory Development” and “Business—Risk Management and Internal Control Systems—Regulatory Compliance Risk Management.” However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner, or at all, and the precautions we take to prevent and detect non-compliance incidents may not be effective.

Moreover, there is no assurance that the PRC government will not change the existing laws, regulations or policies, or adopt additional or more stringent laws, regulations or policies applicable to us and our business operations. Any changes to such laws, regulations and policies, or their interpretation or enforcement, may expose us to the risk of non-compliance and may require us to conform our activities and operations to comply with such laws, regulations and policies. We cannot predict future laws, regulations, policies, interpretations or applications, nor can we predict their impact on our business, financial condition and results of operations. If we fail to timely adapt our risk management and internal control policies and procedures to the changing regulatory environment, our business, results of operations and financial condition could be materially and adversely affected.

The production and distribution of musical works, variety programs, movies and drama series are subject to uncertainties. There is no guarantee that the production or distribution of musical works and our managed artists’ participation in content production can generate profit for us.

In 2019, 2020 and 2021 and the nine months ended September 30, 2022, revenue generated from music IP production and operation was RMB74.7 million, RMB92.7 million, RMB77.7 million and RMB58.2 million, respectively, accounting for 11.8%, 10.0%, 6.1% and 7.7% of our total revenue for the same periods, respectively, and revenue generated from entertainment content services under artist management business was RMB213.1 million, RMB253.7 million, RMB253.0 million and RMB143.1 million, respectively, accounting for 33.8%, 27.5%, 19.6% and 19.0% of our total revenue for the same periods, respectively.

Unforeseen circumstances during production, such as sudden changes in policies, the artists’ personal choices or preferences, accidents, equipment damage or malfunction, unavailability of production locations, delay in obtaining the requisite permits or licenses, natural disasters and

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unavailability of industry professionals due to injuries or health issues, other engagement or a ban from the entertainment industry as a result of their personal behavior, may disrupt the production progress. The production and distribution of musical works we produce and the movies, drama series and variety programs our managed artists perform in may also be delayed due to the changes in production schedule or failure to obtain the relevant distribution licenses, leading to the delay in the initial publication of our musical works and broadcasting of the movies, drama series and variety programs our managed artists perform in. Any delay or adjustment in production or distribution schedule may increase the production or distribution costs for musical works, or adversely affect our ability to generate revenue from our managed artists’ participation in content production. If we are unable to pass such increased costs onto our customers, our expected investment return from our produced musical works would be reduced, which would materially and adversely affect our business, financial condition and results of operations. In circumstances where the production cost of a musical work significantly exceeds the budget, we may be required to contribute additional financial resources. Failure to obtain additional financial resources may result in a substantial delay in production progress. In addition, we cannot assure you that our musical works will gain popularity or sell well in the music market in the future.

We collaborate with major music streaming platforms in China for online sales of our musical works, which is subject to the policies adopted by the music streaming platforms.

We currently cooperate with major music streaming platforms in China for sales of digital copies of our music IPs. In August 2021, major music streaming platforms in China we cooperated with adopted restrictive rules on the purchase number of digital albums and singles, which led to a decrease in revenue generated from sales of digital singles and albums on the major music streaming platforms. As a result, our revenue generated from music IP production and operation decreased by 16.2% from RMB92.7 million in 2020 to RMB77.7 million in 2021. If these major music streaming platforms adopt other restrictive policies on the sales of digital albums and singles, or if there are any structural changes to the material terms of our contracts with major music streaming platforms due to any significant changes in regulatory requirements and policies which adversely and materially affect our cooperation, there may be a significant reduction in our revenue generated from our music IP production and operation business. Any of the above circumstances may materially and adversely affect our business, financial condition and results of operations.

We may not be able to compete effectively against our competitors in the entertainment industry.

The entertainment industry is highly competitive and fragmented, and we may not be able to maintain or increase our current market share due to such competition. In China, we primarily compete with other professional artist management companies, platform-based artist management companies, content-based artist management companies and artist management studios. Our competitors may make more attractive offers to existing popular artists in the market and provide more systematic training to trainee and emerging artists. Our competitors may also deliver services of equal or superior quality to our target customers, and achieve greater market acceptance and brand recognition than us. Moreover, some platform-based artist management companies, such as leading media platforms in China with artist management business, and some content-based artist management companies, such as large entertainment content production companies with artist management business, may engage their own managed artists instead of our managed artists in content production activities. They can leverage their market influence to arrange commercial activities for their managed artists. As a result, we may face competition arising from the vertical integration of such media platforms and entertainment

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content production companies. We cannot assure you that we will be able to retain our existing customers or to attract new ones. Competition is intense and may contribute to a decline in the volume of our artist management business, which could materially and adversely affect our business and financial condition.

Our music IP production and operation business and pan-entertainment business face competition with other operators. Our competitors may reduce fees, increase production capabilities or develop new concepts and programs to obtain market share. Some of our competitors may have greater and broader operational experience and longer relationships with customers than we do. We cannot assure you that we will be able to successfully compete against new or existing competitors and failure to do so may cause our market share to decline, and adversely affect our business, results of operations, financial condition and prospects.

We operate in Korea and are subject to risks and conditions specific to the market in Korea, which could adversely affect our business, financial condition and results of operations.

We operate our artist management business in Korea and intend to expand our operations in Korea. We face, and expect to continue to face, additional risks in the case of our existing and future operations in Korea, including:

- political instability, adverse changes in diplomatic relations and unfavorable economic and business conditions in Korea;
- more restrictive or otherwise unfavorable government regulation of the entertainment industries, which could result in increased compliance costs and/or otherwise restrict the manner in which we provide services and the amount of related fees charged for such services;
- difficulties in managing operations and adapting to consumer desires due to distance, language and cultural differences, including issues associated with (i) business practices and customs that are common in Korea but might be prohibited by PRC law and our internal policies and procedures, and (ii) management and operational systems and infrastructures, including internal financial control and reporting systems and functions, staffing and managing of foreign operations, which we might not be able to do effectively or cost-efficiently;
- limitations on the enforcement of intellectual property rights;
- limitations on the ability of foreign subsidiaries to repatriate profits or otherwise remit earnings;
- adverse tax consequences due both to the complexity of operating across multiple tax regimes as well as changes in, or new interpretations of, international tax treaties and structures;
- risks of expropriations of property; and
- diminished ability to legally enforce our contractual rights in foreign countries.

As we expand our operations in Korea, these risks will be intensified and will have the potential to have a greater impact on our business and operating results. If the revenue generated by our operations in Korea is insufficient to cover expenses incurred in connection with the maintenance and growth of these operations, our business, financial condition and results of operations could be

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materially and adversely affected. In addition, in an effort to make our operations in Korea profitable over the long term, over a prolonged period, we may make significant additional investments that are not profitable over the short term, which could adversely affect our business, financial condition and results of operations at least for such prolonged period.

We are subject to a variety of costs, risks and uncertainties in executing our growth strategies, such as capturing expansion opportunities in existing and new business initiatives. We may not be able to successfully execute these growth strategies, which could adversely affect our business, financial condition and results of operations.

Our business plans and strategies have been formulated based on a number of assumptions and ongoing successful cooperation with our business partners. There is, however, no assurance that these business plans and strategies will be successfully implemented in the future. For example, we plan to invest in businesses that can generate synergy for our artist operation, but we may not be able to identify a target meeting our criteria. We also plan to further invest in the production and operation of virtual artists, but there are substantial uncertainties in our plan of use of [REDACTED], and we cannot assure you that we will generate profits from such investment in future periods. For more details about our plan of use of [REDACTED] from the [REDACTED], see “Future Plans and Use of [REDACTED].”

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

- our ability to retain and attract popular artists;
- our ability to provide systematical and sustainable training to our trainees;
- our ability to continuously invest in our music IP production and operation and pan-entertainment business;
- our ability to create synergies among all our businesses;
- our ability to build and improve our brand image;
- our ability to obtain relevant governmental permits and approvals;
- effective recruiting, training and retention of our management personnel;
- our ability to develop and improve our existing administrative and operational systems; and
- stringent cost controls and working capital management.

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

We may fail to adequately protect our intellectual property rights, which could have a negative impact on our business, competitive position and prospects.

We operate in an industry that places a premium on creative abilities and artistic talent. Many of our work products are protected by intellectual property rights, on which we rely to stay competitive

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in the market. The success of our business depends substantially upon our continued ability to use our copyrights, trade names and trademarks to increase brand awareness and to further develop our brand and reputation. The unauthorized reproduction of our trade names or trademarks and the unauthorized release or broadcasting of our copyrighted musical works could diminish the value of our brand and the relevant work products, competitive advantages or goodwill. Misappropriation or misuse of our intellectual properties by third parties or unlicensed use of the names or images of our managed artists and trainees may also harm our reputation.

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

We depend substantially on the continuing efforts of our senior management and key personnel, and our business and prospects may be severely disrupted if we lose their services.

Our future success depends on the continual services of our senior management team, in particular, Ms. Du, our founder and chairlady of the Board, as well as key personnel for our business operations. If we lose the services of any senior management and key personnel, we may not be able to locate suitable or qualified replacements or may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects. In particular, our business relies on the experience and skills of industry professionals, such as composers and lyricists. If we lose their services, we may be unable to find suitable replacements at similar costs and terms, and as a result, the quality of our musical works as well as our ability to develop new musical works may be adversely affected. In addition, the loss of any of our key employees may adversely impact the perception of us by our collaborating corporate customers and media platforms. Furthermore, if any of our senior management and key personnel joins a competitor or forms a competing company, we may lose a significant number of our customers, which also could have a material adverse effect on our business and results of operations. Due to the intense demand and competition for talent in our industry, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, which could increase our employee benefit expenses. If we fail to recruit sufficient talent to support the rapid growth of our businesses, we may not be able to maintain our competitiveness in the market, which could adversely impact our business and results of operations.

We may be accused of infringing upon intellectual property rights of third parties, which could adversely affect our business, financial condition and results of operations.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. Third parties may allege that our business infringes upon or

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otherwise violates copyrights or other intellectual property rights which they hold, whether with or without merit. We may become involved in litigations and proceedings relating to allegations of infringement of intellectual property rights, defamation and violations of rights of third parties. The validity, enforceability and scope of protection of intellectual property rights, particularly within China, are still evolving. As we face increasing competition and as litigation becomes a more commonly pursued method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable final outcomes in all cases. Such intellectual property claims, even if they are frivolous or do not result in liability, may harm our brand and reputation. Any resulting liability or expenses, or changes required to our programs or services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

We rely on our suppliers and third-party service providers in the development, production and promotion of our musical works as well as the movies, drama series and variety programs our managed artists perform in. Our failure to retain the services of suppliers and such service providers, unsatisfying services provided by them or even any negative news about them in the future may materially and adversely affect our business and results of operations.

We rely on our suppliers and third-party service providers in the development, production and promotion of our musical works as well as the movies, drama series and variety programs our managed artists perform in, mainly including artists, composers, lyricists, and promotion agencies. During the Track Record Period, our purchases of services attributable to the five largest suppliers were RMB152.1 million, RMB229.5 million, RMB424.6 million and RMB270.0 million in 2019, 2020 and 2021 and the nine months ended September 30, 2022, respectively, accounting for approximately 43.3%, 53.6%, 61.6% and 59.8% of our total purchases for the same periods, respectively. There can be no assurance that they will continue to work with us on acceptable terms or at all, or that the costs associated with attracting alternative talent and/or third-party service providers will be reasonable. Due to the intense demand and competition for talent in the entertainment industry, we cannot assure you that we will be able to acquire suitable quality talent for each of our musical works or each of the movies, drama series and variety programs our managed artists perform in. If we fail to acquire and retain highly qualified professionals on favorable terms, our revenue and profitability could be adversely affected. Any failure by our third-party service providers to perform their obligations under the relevant agreements, to comply with the applicable laws and regulations and industry standards, or to satisfy our specific requirements and expectations, may have an adverse and material impact on our business, financial condition and results of operations.

Inability to renew or obtain our qualifications, licenses and permits could materially affect our business, financial condition and results of operations.

We are required to obtain a number of qualifications, licenses and permits for our business in the PRC, especially in relation to our artist management business. The State Council promulgated the Regulation on the Administration of Commercial Performances (Revised in 2020) (《營業性演出管理條例(2020年修訂)》) (the “Regulation”) on July 7, 2005, which was last amended on November 29, 2020. Moreover, Ministry of Culture and Tourism issued the Measures for the Administration of Performance Brokers (《演出經紀人員管理辦法》) (the “Administration Measures”) on December 13, 2021, which came into effect on March 1, 2022. Pursuant to the Regulation and the Administration Measures, there shall be three or more full-time performance brokerage personnel who hold the

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Performance Brokerage Qualification Certificate and funds sufficient for the agency’s business and the application should be filed with and approved by the culture administrative department of the government of the province, autonomous region or municipality directly under the central government. A Hong Kong investor may legally form a performance brokerage institution within China, but such a performance brokerage institution that applies for engaging in commercial performance brokerage activities is required to file an application with the culture administrative department of the government of the province, autonomous region or municipality directly under the central government. If the application is approved, a Commercial Performance License will be granted to such foreign-funded performance brokerage institution. We are required by the relevant regulations to obtain and renew our Commercial Performance License for our artist management business, and our artist managers need to hold the Performance Brokerage Qualification Certificate to provide services to our managed artists. In addition, in accordance with the requirements under applicable PRC laws and regulations, we have obtained the Commercial Performance License for our operations. If any of our qualifications, licenses or permits are revoked due to our violation of applicable laws, regulations and rules, or if we fail to renew any of the qualifications, licenses and permits necessary for our business upon their expiration, we may not be able to engage in artist management business and our business and results of operations will be materially and adversely affected.

The global COVID-19 pandemic has had, and is likely to continue to have, a material negative impact on our business, financial condition and results of operations.

An outbreak of a novel strain of coronavirus, COVID-19, in late 2019 subsequently became a pandemic after spreading globally, including China and Korea. In response, governments have implemented, among other measures, restrictions on mobility and travel and cancelation of public activities, to control the spread of the virus. Although the lock down and various social distancing initiatives adopted by governments during the outbreak of COVID-19 have caused people to turn to online social and entertainment activities in lieu of physical gatherings, these measures have led to reduced business activities in general.

Accordingly, we took a series of measures in response to the outbreak to protect our employees, including remote working arrangements for our employees, and travel restrictions or suspension. We did not suspend our operations during the COVID-19 pandemic, but arranged our employees to work from home for approximately two weeks in February 2020. These measures temporarily reduced the capacity and efficiency of our operations. We also provided our employees with protective equipment immediately after the outbreak, which had increased and may continue to increase our operations and support costs. In addition, our business operations could be disrupted if any of our employees or managed artists is suspected of contracting the COVID-19 or any other epidemic disease, since our employees or managed artists could be quarantined. As a result, our offices may have to be shut down for disinfection, or our managed artists’ engagement in commercial activities or entertainment content production may be delayed or canceled.

While the COVID-19 pandemic did not materially adversely affect our financial results and business operations in 2020 and 2021, it did adversely impact our managed artists’ engagement in offline activities in 2020 and 2021. The offline shooting and filming of some movies, drama series and variety programs in which our managed artists participated was delayed. Some of our customers canceled their offline promotion events, leading to a decreased demand for our managed artists’ in-person performances and services.

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Recently, there has been an increasing number of COVID-19 cases around the world due to the Omicron variants. The regional outbreaks of COVID-19 in various parts of China since January 2022 have adversely impacted our managed artists’ engagement in offline activities and led to a relatively lower demand for the performing services of our managed artists, which has adversely impacted our ability to pursue new business opportunities for our managed artists. For more details, see “Summary—Impact of COVID-19” and “Financial Information—Impact of COVID-19.” Our Directors believe that the COVID-19 pandemic will have a temporary impact on our business, results of operations and financial condition, particularly if the pandemic continues for an extended period or worsens in China. Due to the uncertainties associated with the recurrence of COVID-19 variants, we may continue to experience delay in receipt of payments from customer or revenue recognition, and have difficulty in securing more new contracts generating revenue for our managed contracts.

The general concerns and uncertainties about the pandemic and the economy and the overall weakening consumer sentiment may negatively affect our business. We cannot reasonably estimate the ultimate impact and duration of the COVID-19 pandemic, including the extent of any adverse impacts on our business, results of operations and financial condition as these depend on rapidly evolving developments, which are highly uncertain and will be a function of factors beyond our control.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to protect our trade secrets and other proprietary information. We rely significantly on confidentiality provisions in the agreements with our employees and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, frustrating our ability to assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection may materially and adversely affect our competitive position.

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

During the Track Record Period, our revenue increased from RMB631.4 million in 2019 to RMB922.0 million in 2020, and further increased to RMB1,290.4 million in 2021, at a CAGR of 43.0% between 2019 and 2021. Our profit for the year increased from RMB119.3 million in 2019 to RMB291.9 million in 2020, and further increased to RMB335.3 million in 2021, at a CAGR of 67.6% between 2019 and 2021. Such increases reflected our continuous business growth and expansion in 2019, 2020 and 2021. Our revenue decreased by 15.9% from RMB895.1 million in the same period of 2021 to RMB752.6 million in the nine months ended September 30, 2022 due to the impact of the COVID-19 pandemic. Our profit for the period increased substantially from RMB236.7 million in the same period of 2021 to RMB1,344.7 million in the nine months ended September 30, 2022, primarily because we recorded fair value gains of convertible preferred shares of RMB1,204.0 million in the nine months ended September 30, 2022 as a result of the change in valuation of our convertible preferred shares. For more details, see “Financial Information—Period to Period Comparison of Results of Operations.” Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including but not limited to:

- industry trends and regulatory environment;
- our ability to retain and attract customers for artist management business;

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- our relationship with our managed artists; and
- our revenue sharing for artist management business as a component of our cost of revenue.

We may not maintain our past growth rates in future periods, and we may not sustain profitability in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our Shares could be subject to significant [REDACTED] should our earnings fail to meet the expectations of the [REDACTED].

Our business currently benefits from certain PRC government incentives and preferential tax treatment. Failure to obtain government grants or preferential tax treatment that may be available to us, or the future discontinuation, reduction or delay of any of the government grants or preferential tax treatment we currently enjoy could adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, we received various government grants from local government authorities to reward our support for the development of local economies. Such government grants amounted to RMB2.8 million, RMB4.7 million, RMB14.3 million and RMB0.3 million in 2019, 2020 and 2021 and the nine months ended September 30, 2022, respectively. During the Track Record Period, we also received certain preferential tax treatment. Although we do not rely on government grants and preferential tax treatment in operating our businesses, our results of operations could be affected by the changes in such government grants and preferential tax treatment. The government grants and preferential tax treatment are non-recurring in nature, and the governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment at any time. The discontinuation, reduction or delay of these government grants or preferential tax treatment could adversely affect our business, financial condition, results of operations and prospects. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

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

The operation of our businesses requires significant capital investment. Historically, we have financed our business activities in part through (i) cash generated from our operations and (ii) bank and other borrowings. As of September 30, 2022, we had cash and cash equivalents of RMB663.5 million and borrowings of RMB59.6 million. If our current sources are insufficient to satisfy our cash requirements, we may seek additional debt or equity financing or obtain a credit facility. The issuance of additional equity securities or convertible debt securities could result in dilution to our shareholders. The incurrence of indebtedness could result in increased debt service obligations, increased finance costs and operating and financing covenants that would restrict our operations and liquidity and negatively impact our financial performance.

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

- investors’ perception of, and demand for, our securities;
- prevailing conditions of the capital markets in which we seek to raise funds;
- our financial performance and gearing ratio;

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- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of the entertainment industry in China;
- PRC governmental policies relating to foreign currency; and
- economic, political and other conditions in China.

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

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

Our cash flows and profitability are subject to the timely settlement of payments by our customers. During the Track Record Period, our customers primarily include (i) domestic and international brands, (ii) media platforms and content producers, and (iii) music service providers. We normally allow a payment term within 30 days to our customers upon their receipt of invoice. In practice, however, collection period for certain customers may be longer than the payment term stipulated in our agreements, due to these customers’ strict budget management and internal approval procedures.

We cannot assure you that we will be able to collect our trade receivables on time pursuant to the agreed payment schedule. Our customers may delay or even default in their payment obligation. As a result, we may not be able to receive such customers’ payment in full, or at all, and we may need to make provisions for trade receivables. We had allowance for impairment on trade receivables of RMB5.7 million, RMB14.2 million, RMB17.0 million and RMB21.2 million as of December 31, 2019, 2020 and 2021 and September 30, 2022, respectively. Although we have initiated proactive and periodic communications with our customers for payments, such measures may not be adequate to safeguard against material credit risks nor to guarantee that our customers will settle payment when it comes due. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

We may be exposed to risks associated with our prepayments and other receivables.

Our prepayments and other receivables consist primarily of (i) deferred [REDACTED], (ii) prepayments for acquisitions of property, plant and equipment, (iii) loans to third parties and a related party, (iv) other tax recoverables, and (v) rental and other deposits. As of December 31, 2019, 2020 and 2021 and September 30, 2022, the balance of our current and non-current prepayments and other receivables was RMB20.3 million, RMB29.9 million, RMB50.9 million and RMB27.9 million, respectively. We cannot assure you that we will be able to request the refund of prepayments if relevant parties delay or default in performing their obligations, or collect other receivables on time pursuant to the agreed payment schedule. The time frame and method for the refund may not be specified, and there may not be a mechanism in place to ensure that the refund will be made on a timely basis. Moreover, we may not be able to receive relevant parties’ payments in full, or at all. As a result, we may need to make provisions for prepayments and other receivables. The occurrence of such event may materially and adversely affect our financial condition and results of operations.

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The share of profits or losses of our associates may affect our investment accounted for using the equity method and our financial condition and results of operations.

Our share of losses of investment accounted for using the equity method is primarily related to our equity investment in our associates. As of September 30, 2022, the associates in which our investment accounted for using the equity method included (i) Zhejiang Shengtenghui Brand Management Co., Ltd. (浙江盛騰輝品牌管理有限公司), (ii) Starsugar (Beijing) Technology Co., Ltd. (思蓬抒格(北京)科技有限公司), (iii) Hangzhou Agile Groups Network Technology Co., Ltd. (杭州小群網絡科技有限公司), (iv) Candy (Shanghai) Cosmetics Co., Ltd. (糖果(上海)化妝品有限公司), (v) Beijing Wuyin Digital Technology Co., Ltd. (北京吾音數字科技有限公司) and (vi) Hangzhou Xiaoguoyuan Network Information Technology Co., Ltd. (杭州小果元網絡信息技術有限公司). For details, see Note 19 to the Accountant’s Report in Appendix I to this document. Our share of losses of investment accounted for using the equity method in 2019, 2020 and 2021 and the nine months ended September 30, 2022 amounted to RMB9.2 million, RMB2.7 million, RMB6.6 million and RMB1.8 million, respectively. If the performance of the associates deteriorates, the amount of our share of results of associates may decrease, and we may record share of losses of investments in associates, which may adversely affect our financial condition and results of operations. In addition, our investments in associates are subject to liquidity risk. Our investments in associates are not as liquid as other investment products. If no dividend is declared by the associates we have investments in, even if profits are reported under the equity method, there is no cash flow until dividends from the associates are received. The illiquidity nature of our investment in such associates may significantly limit our ability to respond to adverse changes in the performance of such associates, which may also materially and adversely affect our financial condition and results of operations.

We are exposed to risks associated with our investment in wealth management products.

We invested in substantial amounts of wealth management products during the Track Record Period. Our investments in wealth management products amounted to RMB0.9 million, RMB194.4 million, RMB446.3 million and RMB290.2 million as of December 31, 2019, 2020 and 2021 and September 30, 2022, respectively. In 2019, 2020 and 2021 and the nine months ended September 30, 2022, fair value gains from wealth management products amounted to RMB12.1 million, RMB14.0 million, RMB20.9 million and RMB10.0 million, respectively. In 2019, 2020 and 2021 and the nine months ended September 30, 2022, the net realized gains of wealth management products amounted to RMB12.1 million, RMB12.6 million, RMB19.6 million and RMB8.7 million, respectively, and the unrealized gains of wealth management products amounted to RMB2,000, RMB1.4 million, RMB1.3 million and RMB1.2 million, respectively. Fair value of our wealth management products is estimated by using valuation techniques and on the basis of market observable and unobservable inputs. The use of unobservable inputs renders valuation uncertain, as changes of unobservable inputs such as expected return rate may change the fair value of wealth management products we purchased. The significant fluctuation of our wealth management products may continue to affect our results of operations in the future. We cannot assure you that market conditions and regulatory environment will result in fair value gains, or that we will not incur any losses from fair value changes on our financial assets at fair value through profit or loss in the future. If we incur such losses from fair value changes, our results of operations, financial condition and prospects may be adversely affected.

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We are exposed to risks associated with our investments in unlisted equity securities.

We invested in certain privately owned companies during the Track Record Period. Our investments in unlisted equity securities amounted to nil, RMB0.8 million, RMB2.8 million and RMB31.5 million as of December 31, 2019, 2020 and 2021 and September 30, 2022, respectively. For more details about the fluctuations of our investment in unlisted equity securities, see “Financial Information—Discussion of Selected Items from the Consolidated Statements of Financial Position—Assets—Financial Assets at Fair Value Through Profit or Loss.” The fair value of our investments in unlisted equity securities has been determined by using applicable valuation techniques on the basis of market observable and unobservable inputs, as these instruments are not traded in an active market. Any changes in the estimates and assumptions may lead to different valuation results and, in turn, changes in the fair value of our investments in unlisted equity securities. For details about fair value estimation, see Note 3.3 to the Appendix I in this document. These valuation uncertainties may materially affect our financial condition and results of operations. We expect continued fluctuation in the fair value of our financial assets at fair value through profit or loss after September 30, 2022.

We are exposed to risks associated with our cooperation with, investments in or acquisition of companies that operate virtual artists.

We collaborated with a business partner to develop A-SOUL since June 2020, a virtual artist group, which debuted in 2020. Pursuant to agreements with this business partner, the business partner and its affiliate would have the exclusive right to operate and carry out commercial development for A-SOUL starting from 2022. We are entitled to receive a portion of the revenue generated from A-SOUL based on an agreed-upon ratio. We also invested in a virtual artist company which launched Quantum Youth, a virtual artist group which debuted in December 2021. For more details, see “Business—Our Business—Pan-entertainment Business—Virtual Artists.” Moreover, we plan to continue to invest in or acquire companies that operate virtual artists. There may be human actors behind these virtual members, whose movements, sounds and expressions are reflected on the virtual artists by using motion capture technology or software. Any disputes between the companies that operate virtual artists and the human actors behind the virtual artists, or departure of human actors behind the virtual artists, may cause a disruption to these companies’ operations of the virtual artists and a reduction in the revenue generated from the operation of virtual artists, which in turn may result in changes in the value of our cooperation, investments or acquisition. Any of the above circumstances may adversely affect our brand, business, financial condition and results of operations.

Changes in the fair value of the investments in movies, drama series and variety programs and related valuation uncertainty may affect our financial condition and results of operations.

As of December 31, 2019, 2020 and 2021, our investments in movies, drama series and variety programs amounted to RMB79.1 million, RMB20.3 million and RMB1.8 million, respectively. In 2019, 2020 and 2021, we recorded fair value losses from our investments in movies, drama series and variety programs of RMB54.9 million, RMB31.7 million and RMB33.7 million, respectively. Since the dismantlement of our contractual arrangements in respect of Horgos Yuehua on March 4, 2022, we have had no investments in movies, drama series and variety programs. As a result, no fair value gains or losses from the investments in movies, drama series and variety programs have been recorded since then.

We do not intend to produce movies, drama series or variety programs in the future, nor do we intend to invest in movies, drama series and variety programs in foreseeable future. However, if we

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decide to invest in movies, drama series or variety programs in the long run, we may be exposed to risks associated with such investments in movies, drama series and variety programs. The fair value of movies, drama series and variety programs is generally estimated using the discounted cashflow method and based on market observable and unobservable inputs. The valuation may involve a significant degree of judgement and assumptions which are inherently uncertain. Any changes in the estimates and assumptions may lead to different valuation results and, in turn, changes in the fair value of the investments in movies, drama series and variety programs. For details about fair value estimation of the investments in movies, drama series and variety programs, see “Financial Information—Discussion of Selected Items from the Consolidated Statements of Financial Position—Assets—Financial Assets at Fair Value Through Profit or Loss” and Note 3.3 to the Appendix I in this document. In addition, factors beyond our control, such as general economic conditions and regulatory environment, can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These valuation uncertainties may materially affect our financial condition and results of operations.

We may not be able to fulfill our obligation in respect of contract liabilities which could adversely affect our financial condition, results of operations and prospects.

Our contract liabilities mainly represent non-refundable advanced payments received from the customers for services that have not yet been delivered. We had contract liabilities of RMB103.2 million, RMB202.2 million, RMB240.1 million and RMB197.8 million as of December 31, 2019, 2020 and 2021 and September 30, 2022, respectively. We recognize contract liabilities as revenue once our obligations have been performed under the relevant contracts. If we have difficulty or fail to perform our obligations under contracts with our customers, we may need to refund a portion or all of our contract liabilities not yet recognized as revenue to our customers, which could expose us to the risk of shortfalls in liquidity and adversely affect our relationships with customers. Such events may have a material adverse effect on our financial condition, results of operations and prospects.

We may grant share incentives under our Share Incentive Plan or issue additional Shares to key personnel, which may cause shareholding dilution to our existing Shareholders, result in increased share-based compensation expenses and negatively impact our results of operations.

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel. We adopted the Share Incentive Plan on December 10, 2021. The maximum aggregate number of Shares which may be granted under the Share Incentive Plan is 5,790,000 Shares. As of the Latest Practicable Date, we had granted an aggregate of 5,137,250 outstanding restrictive share units in respect of 5,137,250 Shares to 20 eligible participants. In 2019, 2020 and 2021 and the nine months ended September 30, 2022, we incurred equity settled share-based payments of nil, nil, RMB2.1 million and RMB66.2 million. Subsequent to the Track Record Period and before the [REDACTED], further awards (RSUs or other types of awards) representing the remaining Shares available under the Share Incentive Plan may be granted to eligible participants. The principal terms of the Share Incentive Plan are set out in the section headed “Statutory and General Information—D. Share Incentive Plan” in Appendix V to this document. To further incentivize the key personnel, we may issue and grant additional Shares to such eligible key personnel in the future, which may dilute the shareholding percentage of our existing Shareholders. As a result, our expenses associated with share-based compensation may increase substantially. Such share-based compensation expenses will be recorded in our financial statements and may have an adverse effect on our results of operations.

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The fair value measurement of our convertible preferred shares is subject to uncertainties and risks, and changes in fair value may affect our financial performance.

Our Company issued Series A-1, A-2 and A-3 convertible preferred shares to certain shareholders on January 28, 2022. For details, see “History, Reorganization and Corporate Structure—Reorganization.” Following such issuance, these convertible preferred shares were recognized as financial liabilities at fair value through profit or loss. We recorded an increase in the fair value changes of convertible preferred shares of approximately RMB1,204.0 million in the nine months ended September 30, 2022. We applied the discounted cash flow method to determine the underlying equity value of us and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible preferred shares. The valuation of the fair value of convertible preferred shares requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such convertible preferred shares and therefore may cause our estimates to vary from actual results. These valuation uncertainties may lead to fluctuations in the fair value of such convertible preferred shares, which could adversely affect our results of operations and financial condition.

We recorded net liabilities as of December 31, 2020 and September 30, 2022, which we may experience in the future.

We recorded net liabilities, representing the equity holder’s deficit, of RMB13.5 million as of December 31, 2020, primarily due to the redemption liabilities we recorded for shareholders’ preferential rights pursuant to a shareholders’ agreement dated November 16, 2020. For details, see “History, Reorganization and Corporate Structure—[REDACTED] Investments.” The redemption liabilities were derecognized as of January 28, 2022, and relevant convertible preferred shares were recognized as financial liabilities measured at fair value through profit or loss. As a result, we recorded net liabilities of RMB545.9 million as of September 30, 2022. All of our convertible preferred shares will be reclassified from liabilities to equity as a result of automatic conversion into our ordinary shares upon the [REDACTED]. Therefore, we do not expect to recognize any further loss or gain on fair value changes from the convertible preferred shares after the [REDACTED]. We however cannot assure you that we will not record net liabilities in the future. Net liabilities position can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

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

As of December 31, 2019, 2020, and 2021 and September 30, 2022, we had intangible assets of RMB9.5 million, RMB7.7 million, RMB5.8 million and RMB4.5 million, respectively, which primarily consisted of software and music copyrights. We have and will continue to incur amortization expenses as we amortize intangible assets with finite useful lives over their estimated useful life on a straight-line basis. Our determination on whether intangible assets are impaired requires an estimation on recoverable amount of the intangible assets, which is based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, the carrying amount of the intangible assets may exceed its recoverable amount, our intangible assets may be impaired. As a result, we may be required to have a write-off of our intangible assets and record an impairment loss. The impairment of

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intangible assets could have an adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to intangible assets, see Note 2.9 to the Accountant’s Report in Appendix I to this document.

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

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

We may collect, store, transmit and dispose certain personal data in our business operations, which subjects us to complex and evolving regulations and oversight related to data security.

When we conduct our artist management business, we may collect, store, transmit and dispose certain data of our managed artists, our trainees and applicants who applied to participate in our trainee auditions, which could include personal information such as names, ID card information, contact addresses, telephone numbers and email addresses. We face risks inherent in protecting the security of such data, including: (i) protecting the data against misappropriation by outside parties or fraudulent behavior by our employees; (ii) addressing concerns related to privacy and sharing, safety, security and other factors; and (iii) complying with applicable laws, rules and regulations relating to the collection, storage, use, processing, transmission, disclosure or security of personal information and other data, including any requests from regulatory and government authorities relating to such data. The laws and regulations on data privacy and security are still evolving. On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (中華人民共和國數據安全法), which came into effect on September 1, 2021. The Data Security Law imposes certain data security and privacy obligations on entities and individuals carrying out data activities, like us, and prohibit any PRC individual and entity from providing data stored within the PRC for foreign judicial or law enforcement authorities without approval by competent authorities in the PRC. Further, the Personal Information Protection Law (個人信息保護法) was passed by SCNPC on August 20, 2021 and came into effect on November 1, 2021. For details, see “Regulation—Laws and Regulations in Relation to Our Business in the PRC—Regulations Relating to Personal Information Protection.”

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We cannot assure you that we comply with the laws and regulations regarding the protection of personal information at all times. There also may be a risk of leakage of such personal information we collected. Any leakage of personal data of our managed artists, our trainees and applicants who applied to participate in our trainee auditions could harm our reputation and brands and, consequently, our business, in addition to exposing us to potential legal liability. For details, see “Business—Data Privacy and Security.” However, we cannot guarantee the effectiveness of these measures in all circumstances. Any failure, or perceived failure, by us to comply with any regulatory requirements or laws, rules and regulations on data protection and privacy could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and severely disrupt our business.

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

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

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

Any non-compliance with anti-bribery and anti-corruption laws and other forms of illegal acts and misconduct by our employees, our managed artists or our business partners may materially and adversely affect our business, reputation, results of operations and financial condition.

We are subject to anti-bribery, anti-corruption and other relevant laws and regulations in China and certain overseas jurisdictions. While we have adopted and implemented internal controls and procedures to monitor both internal and external compliance with such laws and regulations, we cannot guarantee that such internal controls and procedures will always be effective in preventing non-compliance and exculpating us from penalties or liabilities that may be imposed by relevant government authorities due to violations committed by our employees, our managed artists or our business partners. If our employees or our managed artists are found or alleged to have violated anti-bribery or anti-corruption laws and regulations, we may face or be involved in fines, lawsuits and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

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

We maintain certain insurance policies to safeguard against various risks and unexpected events associated with our business and operations, including insurance on some company-owned vehicles in both China and Korea as well as property insurance covering our proprietary land and office building in Korea. We also provide social security insurance as required by relevant rules and regulation in China and Korea, including general care and work-related injury insurance, for our employees. While we believe our insurance practice is in line with industry standards, our insurance coverage is limited. For example, we do not maintain business interruption insurance or litigation insurance. Any uninsured occurrence of business disruption, material litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material and adverse effect on our results of operations. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or if the compensated amount is significantly less than our actual loss, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may be involved in legal disputes or proceedings in the ordinary course of our business from time to time and may be exposed to significant liabilities as a result.

From time to time, we get involved in legal disputes and are subject to legal proceedings and claims in the ordinary course of business. If the results of the legal disputes or proceedings are unfavorable to us or if we are unable to successfully defend against third-party lawsuits, we may be required to pay monetary damages or may be subject to fines, penalties, injunctions or other censure that could have a material adverse effect on our reputation, business, financial condition and results of operations. Even if we adequately address the issues raised by a proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues, which could harm our business, financial condition and results of operations.

Failure to pay the social insurance premium and housing provident funds for and on behalf of our employees in accordance with the relevant PRC laws and regulations may have an adverse impact on our financial condition and results of operation.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee’s actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we did not make full contributions to social insurance and housing provident fund for our employees of certain subsidiaries. Besides, some of our subsidiaries engaged qualified third-party human resources agencies to pay social insurance and housing provident funds for certain of our employees, which is not completely compliant with the applicable PRC laws and regulations. As of the Latest Practicable Date, we had terminated the arrangements with these third-party human resources agencies. We currently make contributions to social insurance and housing provident funds directly for all of our employees. For more details, see “Business—Compliance and Litigation—Social Insurance and Housing Provident Funds.”

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Pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to the relevant PRC laws and regulations, if there is any failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We cannot assure you that the competent authority will not require us to rectify any non-compliance by making contribution of unpaid social insurance premium and housing provident fund or impose fine or penalty related thereto.

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

As of the Latest Practicable Date, the lease agreements with respect to seven properties we leased in the PRC for our business operations had not been registered or filed with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreements. For details, see “Business—Properties—Leased Properties.” During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. We cannot assure you that our lessors will cooperate with us to register such leases due to factors beyond our control or our use of the relevant properties will not be further challenged in the future. Any of these may have an adverse effect on our business, financial condition, results of operation and prospects.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

Our results of operations have been, and are expected to continue to be, impacted to a significant extent by economic, political, and social conditions in China and globally, as well as economic conditions specific to discretionary consumer and corporate spending. The economic conditions in China are sensitive to global economic conditions. The global financial markets have experienced significant disturbances since 2008 and the United States, Europe and other economies have experienced periods of recession. The global macroeconomic environment is facing new challenges and there is considerable uncertainty and risk over the long-term effect of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies. Additionally, constant changes in global trade practices and foreign policies, such as trade protectionism and ongoing trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, may further affect the PRC economy as well as the global markets. Moreover, regional political and trade tensions could reduce levels of investments, trades and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. There have also been concerns about the economic effect of the military conflicts and political turmoil or social instability in the Middle East, Europe, Africa and other places. The global economy, markets and levels of consumer spending are influenced by many factors beyond our control, including consumer perception of current and future

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economic conditions, political uncertainty, levels of employment, inflation or deflation, real disposable income, interest rates, taxation and currency exchange rates. Any severe or prolonged slowdown in the global economy may adversely affect the Chinese economy which in turn may adversely affect our business and operating results.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the global and Chinese economy in 2020 is likely to be severe. An economic downturn, whether actual or perceived, a further decrease in economic growth rates, or an otherwise uncertain economic outlook in China or any other market in which we may operate could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

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

During the Track Record Period, a majority of our revenue and expenditures were denominated in Renminbi, while the [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our Group. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar, Korean Won or U.S. dollar would affect our financial results in Hong Kong dollar, Korean Won or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

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

Substantially all of our revenue and costs are denominated in Renminbi and any significant revaluation of Renminbi may materially and adversely affect our revenue, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. To the extent that we need to convert Hong Kong dollars into Renminbi for capital expenditures and working capital and other business purposes, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the Renminbi against the Hong Kong dollar may significantly reduce the Hong Kong dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares, and if we decide to convert Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares, strategic acquisitions or investments or other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a

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negative effect on the Hong Kong dollar amount available to us. Significant revaluation of the Renminbi may also have a material and adverse effect on your [REDACTED].

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

The PRC government’s control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to make payment of dividends, if any, to holders of our Shares, and to fund our business activities outside China, especially in Korea. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the profit distributions, can be conducted without advance approval from the State Administration of Foreign Exchange (“SAFE”), but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. However, foreign exchange transactions under the capital account conducted by us such as the repayment of loans dominated in foreign currencies, must be approved in advance by the SAFE. The PRC government may take measures at its discretion from time to time to restrict access to foreign currencies for current account transactions.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. In addition, any insufficiency of foreign exchange may restrict our ability for sufficient dividend payments in foreign exchange to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

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

In utilizing the [REDACTED] we receive from the [REDACTED] in the manner described in “Future Plans and Use of [REDACTED],” as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries, or (iv) acquire offshore entities with business operations in China in offshore transactions. However,

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most of these uses are subject to PRC regulations and approvals. For example, capital contributions to our PRC subsidiaries, whether existing or newly-established ones, are subject to the requirement of necessary filings in the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the SAMR and registration with other governmental authorities in China. Loans by us to our PRC subsidiaries, which are foreign invested enterprises, to finance their activities cannot exceed the statutory limits and must be registered with the SAFE, or its local branches. Any medium- or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and registered with SAFE, or its local branches.

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

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

The PRC legal system is evolving and has inherent uncertainties, which may limit the legal protection available to you and us.

Substantially all of our business is conducted in China and is governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, while prior court decisions have little precedential value and can only be cited for reference. In addition, PRC written statutes are often principle-oriented and require detailed interpretations by relevant enforcement bodies to further apply and enforce such laws and regulations. The PRC government has been developing a

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commercial law system and made significant progress in promulgating laws and regulations relating to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade. However, since these laws and regulations have not been fully developed, and because of the limited volume of published cases, interpretation of the PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty.

In particular, the PRC laws and regulations concerning the entertainment industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations and avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating the entertainment industry in the future. We cannot assure you that our practices would not be deemed to violate any new PRC laws or regulations relating to the media industry and internet-related industries. Moreover, developments in the entertainment industry may lead to changes in the PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict us, which could materially and adversely affect our business and results of operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. All these uncertainties may limit the legal protections available to foreign investors, including you.

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

A number of PRC laws and regulations, including the Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM and five other PRC regulatory authorities on August 8, 2006, and amended on June 22, 2009 (the “M&A Rules”), the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC on August 30, 2007, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by the MOFCOM on August 25, 2011 and the Measures for the Examination of the Security of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These include requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise and that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review. Moreover, the Anti-Monopoly Law requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds be cleared by relevant government authorities before they can be completed. On October 23, 2021, the SCNPC published for public comment the Draft Revised Anti-Monopoly Law, which provides, among others, that business operators shall not abuse data, algorithms, technology, capital advantages and platform rules to exclude

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or limit competition. The draft also requires relevant government authorities strengthen the examination of concentration of undertakings in areas such as well-being, finance, science and technology, media, and enhances penalties for violation of the regulations regarding concentration of undertakings.

In the future, we may grow our business in part by acquiring complementary businesses. Complying with the requirements of the relevant regulations and rules to complete such transactions could be time consuming, and any required approval and report processes, including obtaining approval from the MOFCOM or its local counterparts and other government authorities, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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

We are a holding company incorporated under the laws of the Cayman Islands, indirectly holding interests in our PRC subsidiaries. Pursuant to the EIT Law, which was effective as of effective on January 1, 2008, if an enterprise incorporated outside China has its “de facto management bodies” within China, such enterprise may generally be deemed a “Chinese resident enterprise” for tax purposes and be subject to an EIT rate of 25% on its global income. “De facto management body” is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “Circular 82”), which sets out certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to the Circular 82, on July 27, 2011, the SAT issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (“SAT Bulletin 45”), which was effective as of September 1, 2011, to provide more guidance on the implementation of the Circular 82. According to the Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC tax resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (i) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and files of the minutes of its board and shareholders’ meetings are located or kept in the PRC; and (iv) not less than half of the enterprise’s directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 provides further rules on residence status determination, post-determination administration as well as competent tax authorities procedures.

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We believe none of our entities outside of China is a Chinese resident enterprise for Chinese EIT purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management bodies”. As a majority of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. We cannot assure you that we will not be considered a Chinese resident enterprise for Chinese EIT purposes and be subject to the uniform 25% EIT rate on our global income. Furthermore, if the PRC tax authorities determine that we are a Chinese resident enterprise for EIT purposes, dividends paid on our ordinary shares may be subject to PRC withholding tax at a rate of 10% in the case of non-PRC enterprise shareholders or 20% in the case of non-PRC individual shareholders and gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprise shareholders or 20% in the case of non-PRC individual shareholders, if such dividends or gains are deemed to be from PRC sources. Any such PRC tax liability may be reduced under an applicable income tax treaty. However, it is unclear whether, if we are deemed a Chinese resident enterprise, our shareholders would be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or jurisdictions.

Our PRC subsidiaries are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

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

Furthermore, the ability of our WFOE to pay dividends in turn depends substantially on dividends to be paid by its PRC subsidiaries pursuant to dividend policies. Each of our PRC subsidiaries is required to set aside at least 10% of its accumulated profits each after making up the accumulated losses, if any, as statutory reserves until the total amount set aside reaches 50% of its registered capital. Although our WFOE and PRC subsidiaries have no plan to pay any dividends in the foreseeable future, if they incur debt on their own behalf in the future, the instruments governing such debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

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

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

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and all of our executive Directors and executive officers reside in China. Therefore, it may be difficult or impossible for you to effect service of process upon us or our executive Directors and officers inside China or to enforce against us or them in China any judgments obtained from Hong Kong or other non-PRC courts. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the “Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned” (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “2006 Arrangement”), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant Hong Kong court or PRC court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “2019 Arrangement”). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has been signed, the outcome and effectiveness of any action brought under the 2019 Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

As a result, it may be difficult or impossible for [REDACTED] to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

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

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-Resident Enterprise Equity Transfer (the “SAT Circular 698”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

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

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

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required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

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

The heightened scrutiny over the taxation on enterprises and high-income professionals in the film and television industry by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your [REDACTED] in us.

Pursuant to the Notice on Further Regulating the Taxation Order in the Film and Television Industry (《關於進一步規範影視行業稅收秩序有關工作的通知》) issued by the SAT on October 2, 2018, starting from October 2018 and ending by the end of July 2019, the work of regulating the tax order of the film and television industry in the PRC would be gradually promoted in accordance with the steps of self-examination and self-correction, supervision and correction, key inspection, summary and improvement. On September 18, 2021, the SAT issued the Notice on Further Strengthening the Taxation Management of Participants in Cultural and Entertainment Industry, pursuant to which tax evasion and other non-compliance with tax laws or regulations will be penalized. If any of our managed artists was involved in the tax evasion activities, such managed artist may not be able to provide services and generate revenue for us under our artist management contract, or the movies, drama series or variety programs that such managed artist performed in may not be distributed. We may be subject to breach of contract claims, higher costs, liabilities, and lose our customers as a result, which could adversely impact our business, results of operations and reputation.

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

Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 37”), which requires PRC residents to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents must update their SAFE registrations when the offshore special purpose vehicle undergoes major events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015. If our Shareholders who are PRC residents as determined by SAFE Circular 37 do not complete their registration, the PRC subsidiary of that offshore special purpose vehicle may be prohibited from distributing their profits and proceeds to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws and regulations for evasion of applicable foreign exchange restrictions. However, we may not at all times be fully aware or informed of the identities of all our Shareholders or beneficial owners that are required to make such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements in a timely manner. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC residents have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations.

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

On February 15, 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (“Stock Option Rules”). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any major change to the stock

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incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted restricted share units will be subject to these regulations upon the completion of the [REDACTED]. Failure of our PRC RSU holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions, limit their ability to make payment under the stock incentive plan or receive dividends or sales proceeds related thereto, or limit our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute dividends to us, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

Possible setting of the [REDACTED] after making a [REDACTED].

We have the flexibility to make a [REDACTED] to set the [REDACTED] at up to 10% below the bottom end of the indicative [REDACTED] per [REDACTED]. It is therefore possible that the final [REDACTED] will be set at HK\$[REDACTED] per [REDACTED] upon the making of a [REDACTED]. In such a situation, the [REDACTED] will proceed and the [REDACTED] will not apply.

If the [REDACTED] is set at HK\$[REDACTED], the estimated [REDACTED] we will receive after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] will be reduced to approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised. Such reduced [REDACTED] will be used as described in “Future Plans and Use of [REDACTED]—Use of [REDACTED].”

The approval of or filing with the CSRC or other governmental authorities may be required in connection with the [REDACTED], and, if required, we cannot assure you that we will be able to obtain such approval or complete such filing.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council together with another authority jointly published “Opinions on Strictly Cracking Down On Illegal Securities Activities in accordance with the Law” (《關於依法從嚴打擊證券違法活動的意見》) (“Securities Activities Opinions”), which calls for enhanced administration and supervision of overseas-listed China-based companies, as well as proposes to revise the relevant regulations governing the overseas securities issuance, listing of shares by such companies and clarifies the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations being announced, there were still uncertainties regarding the interpretation and implementation of the Securities Activities Opinions.

Further, on December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (“Draft Provisions”) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (“Draft for Comments”) (“Draft Administrative Measures”), which, if become effective, require that PRC domestic companies that seek to offer and list securities in overseas markets, whether through direct or indirect means, to, among others, file certain documents with the CSRC within three working days after its application for overseas listing is made. As of the Latest Practicable Date, the Draft Provisions

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and the Draft Administrative Measures were released for public comments only and the final version and effective date of such regulations are subject to change with substantial uncertainty.

If the Draft Provisions and the Draft Administrative Measures become effective in their current form before the [REDACTED] is completed, our PRC Legal Advisor is of the view that we may be required to complete the filing procedures with the CSRC before [REDACTED]. We will comply with applicable filing requirements as appropriate if and when the proposed regulatory regime becomes effective. However, we cannot assure you that we will be able to complete all filing requirements that may be implemented under the proposed regulatory regime in time or at all as the filing requirements are subject to change with substantial uncertainty.

If the Draft Provisions and the Draft Administrative Measures are amended in such a way that the [REDACTED] is subject to any approval, filing, or other authorization or requirement of the CSRC or other governmental authorities, we cannot assure you that we could obtain such approval in a timely manner or at all. Failure to obtain necessary approval or complete required filings in a timely manner may lead to failure to complete the [REDACTED], or subject us to fines, penalties or other sanctions, which may have material adverse effect on our financial condition as well as the [REDACTED].

There has been no prior [REDACTED] for our Shares, and an active [REDACTED] for our Shares may not develop and the [REDACTED] of our Shares may be volatile.

Prior to the completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active and liquid [REDACTED] for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED], which may not be indicative of the [REDACTED] at which our Shares will be [REDACTED] following the completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the [REDACTED] and [REDACTED] of our Shares.

There will be a time gap of several business days between pricing and [REDACTED] of our Shares [REDACTED] under the [REDACTED]. The [REDACTED] of our Shares when [REDACTED] begins could be lower than the [REDACTED].

The [REDACTED] of our Shares will be determined on the [REDACTED]. However, the Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several Business Days after the [REDACTED]. The Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, and it is expected that there will be a considerable gap of time between the pricing of the Shares/closing of the [REDACTED] and the commencement of [REDACTED]. Further, the application period for the [REDACTED] will last from [REDACTED] to [REDACTED], which is longer than the normal market practice of three and a half days. [REDACTED] may not be able to sell or otherwise deal in the Shares until the commencement of [REDACTED] and accordingly, holders of the Shares are subject to the risk that the price of their Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time [REDACTED] begins. As a result, [REDACTED] may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when [REDACTED] begins could be lower

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than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [REDACTED] begins.

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

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

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

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

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

The interests of our Controlling Shareholders may not align with those of our other Shareholders.

Immediately following the completion of the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Controlling Shareholders will be entitled to exercise voting rights of [REDACTED]% of the total issued share capital of our Company. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the [REDACTED] of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

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

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

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

This document, particularly the sections headed “Business” and “Industry Overview,” contains information and statistics relating to our industry. Such information and statistics have been derived from different official government publications, available sources from public market research and other sources from independent suppliers, and from an independent industry report prepared by Frost & Sullivan. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. The information from official government sources has not been independently verified by us, the [REDACTED], the [REDACTED], the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], any of the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED] (excluding Frost & Sullivan), and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

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

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

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

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

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

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

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

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

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

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

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

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