

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### OVERVIEW

We ranked first among artist management companies in China in terms of revenue from artist management in 2021, according to Frost & Sullivan. Our Group’s history can be traced back to July 2009, when Yuehua Limited, a principal operating subsidiary of the Group, was founded by Ms. Du, our executive Director, chairlady of the Board and Controlling Shareholder. We have been led by Ms. Du, who has over 12 years of experience in the entertainment industry in the PRC. For details of her biography, see “Directors and Senior Management.”

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 10, 2021 in preparation for the [REDACTED].

### KEY MILESTONES

The following table summarizes the key milestones in our operational history.

<u>Year</u>	<u>Milestone</u>
2009	Yuehua Limited, one of our major subsidiaries, was established
2011	Tianjin Yuehua and Tibet Yuehua, our major subsidiaries, were established
2014	We started to operate our business in Korea
2014	UNIQ debuted and released its first single “Falling in Love”
2018	NEXT debuted and released its first album “THE FIRST”
2019	EVERGLOW debuted and released its first album “ARRIVAL OF EVERGLOW”
2020	A-SOUL debuted and released its first single “Quiet”
2021	NAME debuted and released its first single “Say My Name”
2022	TEMPEST debuted and released its first album “It’s ME, It’s WE”

### OUR MAJOR SUBSIDIARIES

The principal business activities and the place and date of establishment of each member of our Group that made a material contribution to our results of operation during the Track Record Period are shown below.

<u>Name of company</u>	<u>Place of establishment</u>	<u>Principal business activities</u>	<u>Date of establishment</u>
Yuehua Limited	PRC	Artist management and copyrights management	July 3, 2009
Tianjin Yuehua	PRC	Artist management	August 1, 2011
Tibet Yuehua	PRC	Artist management	December 25, 2011

### LISTING ON AND DELISTING FROM NEEQ AND A SHARE LISTING ATTEMPT

On September 22, 2015, shares of Yuehua Limited were listed on the NEEQ under the stock code 833564 (the “NEEQ Listing”).

On February 26, 2018, having considered that the trading activity, equity liquidity and brand awareness on the NEEQ may not be able to meet expectation, the board of Yuehua Limited resolved to

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

voluntarily delist Yuehua Limited’s shares from the NEEQ, which was duly approved by the then shareholders of Yuehua Limited. On March 22, 2018, Yuehua Limited was delisted from the NEEQ (the “NEEQ Delisting,” together with the NEEQ Listing, the “NEEQ Listing and Delisting”) by way of a voluntary application for delisting. Our Directors are of the view that the decision to delist from the NEEQ was a commercial and strategic decision made by Yuehua Limited’s directors and in line with our development needs and the long-term strategic planning in the equity market. There was no monetary or other consideration offered to the then shareholders of Yuehua Limited in connection with the NEEQ Delisting.

Following the continued growth in the scale of business of Yuehua Limited and with a view to tapping into capital markets with a boarder investor base, Yuehua Limited considered to explore the option of listing on the main board of the Shanghai Stock Exchange (the “A Share Listing Attempt”) in 2018. On March 9, 2018, Yuehua Limited filed the pre-listing tutoring (the “Pre-listing Tutoring”) with the Beijing Office of the CSRC (中國證券監督管理委員會北京監管局) in connection with the A Share Listing Attempt. The sponsor for the A share listing was China Merchants Securities Co., Ltd. (招商證券股份有限公司), the controlling shareholder of China Merchants Securities (HK) Co., Limited which is one of our Joint Sponsors. The scope of work of the Pre-listing Tutoring mainly included the provision of trainings to the directors, supervisors, senior management and shareholders holding over 5% equity interest in Yuehua Limited, assisting Yuehua Limited to establish effective internal control and financial reporting system and such other work in preparation for the proposed A share listing.

Subsequently, having taken into account our long-term business development plan and financing needs for our further expansion, our Directors considered the Stock Exchange, as an internationally recognized and reputable stock exchange, to be a more appropriate [REDACTED] venue that would provide us with brand recognition and a good platform to access the international equity market and expand our business. The Directors believe that [REDACTED] on the Stock Exchange will enable our Company to have better access to investors on the international market who are more familiar with the industry that our Company operates in and our business model, and that not to pursue the A Share Listing Attempt is commercially sensible and in the interest of the long-term development of the Group. Accordingly, on May 26, 2021, Yuehua Limited voluntarily terminated the Pre-listing Tutoring.

Our Directors have confirmed that during the period when Yuehua Limited was listed on NEEQ, Yuehua Limited, its subsidiaries, its directors, and to the best knowledge of the Directors, the shareholders of Yuehua Limited, (i) had been compliant with applicable laws and regulations in all material respects, and (ii) had not been subject to any investigations or disciplinary actions by any regulatory authority nor breached the relevant rules governing the listing of Yuehua Limited on NEEQ in any material respects.

Our Directors have further confirmed that (i) Yuehua Limited did not submit any formal listing application in relation to the A Share Listing Attempt to any regulatory authority in the PRC primarily due to the general market sentiment for companies in the entertainment industry at the time; (ii) the CSRC did not raise any questions or comments in respect of the A Share Listing Attempt (including the Pre-listing Tutoring); and (iii) Yuehua Limited did not have any major disagreements with any professional parties engaged for the A Share Listing Attempt. Save as disclosed above, there is no other material matter in relation to the A Share Listing Attempt (including the Pre-listing Tutoring) or the NEEQ Listing and Delisting that needs to be brought to the attention of the Stock Exchange.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would cause them to disagree with the Directors’ views mentioned above in relation to the compliance record of Yuehua Limited, its shareholders and directors during the NEEQ Listing and Delisting, or indicate that there were any material issues relating to the A Share Listing Attempt. The Joint Sponsors are also of the view that there is no other matter arising from the NEEQ Listing and Delisting and the A Share Listing Attempt (including the Pre-listing Tutoring) which ought to be brought to the attention of the Stock Exchange.

### MAJOR SHAREHOLDING CHANGES OF OUR COMPANY AND OUR PRINCIPAL SUBSIDIARIES

#### Shareholding changes of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 10, 2021 in preparation for the [REDACTED]. The authorized share capital of our Company was US\$50,000 divided into 500,000,000 Shares with a par value of US\$0.0001 each upon incorporation. For details of the shareholding of each of the Shareholders of our Company upon incorporation, see “—Reorganization—1. Incorporation of our Company.”

For subsequent shareholding changes of our Company as part of the Reorganization, see “—Reorganization” and “—[REDACTED] Investments.”

#### Shareholding changes of our principal subsidiaries

##### Yuehua Limited

##### 1. Establishment and Early Corporate Development

Yuehua Limited was established in the PRC on July 3, 2009, with an initial registered capital of RMB1,000,000, beneficially owned as to 70% and 30% by Ms. Du and Mr. WANG Huan (王歡) (through his nominee Ms. Jiao Xiaofang (焦曉芳)), respectively. After several rounds of equity interest transfers and capital increase, the shareholding structure of Yuehua Limited as of August 15, 2012 is set forth below.

No.	Name of Shareholder	Amount of Registered Capital (RMB)	Shareholding Percentage
1.	Ms. Du .....	960,026	73.41%
2.	Mr. WANG Huan <sup>(1)</sup> .....	239,974	18.35%
3.	Tibet Huaguoguo Culture Technology Co., Ltd. (西藏華果果文化科技有限公司) (“Tibet Huaguoguo”) <sup>(2)</sup> .....	107,759	8.24%
	<b>Total</b> .....	<b>1,307,759</b>	<b>100.00%</b>

*Notes:*

- (1) Ms. JIAO Xiaofang, an Independent Third Party, held RMB300,000 registered capital of Yuehua Limited as a nominee shareholder for the benefit of Mr. WANG Huan at the time of the Yuehua Limited’s establishment. Due to Mr. Wang’s other business commitments, he designated Ms. Jiao as the registered shareholder of Yuehua Limited. Such nominee arrangement was terminated in August 2012 and there is no dispute between Ms. Jiao and Mr. Wang in connection with such nominee arrangement.
- (2) For the shareholding structure of Tibet Huaguoguo, see “—Reorganization.”

##### 2. Capital Injection in 2012

Yuehua Limited, its then existing shareholders, Zhoushan Dailesi Venture Capital Partnership (Limited Partnership) (舟山戴樂斯創業投資合夥企業 (有限合夥)) (“Zhoushan Dailesi”, an Independent

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Third Party) and Xinjiang Rongzheng Private Equity Partnership (Limited Partnership) (新疆融證股權投資合夥企業 (有限合夥)) (“Xinjiang Rongzheng”, an Independent Third Party), entered into a capital increase agreement, pursuant to which Zhoushan Dailesi and Xinjiang Rongzheng subscribed the increased registered capital of Yuehua Limited of an aggregate of RMB230,781 at a total consideration of RMB36,000,000. Such consideration was determined by the parties after arm’s length negotiations and was fully paid on October 12, 2012.

The shareholding structure of Yuehua Limited upon the completion of such capital injection is set forth below.

No.	Name of Shareholder	Amount of Registered Capital (RMB)	Shareholding Percentage
1.	Ms. Du .....	960,026	62.40%
2.	Mr. WANG Huan .....	239,974	15.60%
3.	Zhoushan Dailesi .....	115,390.5	7.50%
4.	Xinjiang Rongzheng .....	115,390.5	7.50%
5.	Tibet Huaguoguo .....	107,759	7.00%
	<b>Total</b> .....	<b>1,538,540</b>	<b>100.00%</b>

### 3. Transfers of Equity Interest and Capital Injection in 2014

Pursuant to the relevant equity interest transfer and capital injection agreement, dated July 4, 2014: (i) the equity interest of Yuehua Limited was transferred to Shanghai Wentou Investment Management Co., Ltd. (上海文投投資管理有限公司) (“Shanghai Wentou”) from Ms. Du, Mr. Wang, Zhoushan Dailesi and Xinjiang Rongzheng as to 3.37%, 7.87%, 2.25% and 2.25%, respectively, at a total consideration of RMB132,370,000; and (ii) following the aforementioned equity transfers, Shanghai Wentou subscribed the increased registered capital of Yuehua Limited of an aggregate of RMB190,159 at a total consideration of RMB122,360,000. The consideration of the subscription by Shanghai Wentou was settled on July 24, 2014.

The shareholding structure of Yuehua Limited upon the completion of such equity interest transfers and capital injection is set forth below.

No.	Name of Shareholder	Amount of Registered Capital (RMB)	Shareholding Percentage
1.	Ms. Du .....	908,165	52.53%
2.	Shanghai Wentou .....	432,177	25.00%
3.	Mr. WANG Huan .....	118,965	6.88%
4.	Tibet Huaguoguo .....	107,759	6.23%
5.	Zhoushan Dailesi .....	80,817	4.68%
6.	Xinjiang Rongzheng .....	80,817	4.68%
	<b>Total</b> .....	<b>1,728,700</b>	<b>100.00%</b>

### 4. Restructuring and Increase in Share Capital in 2015

On June 1, 2015, Yuehua Limited was converted from a limited liability company into a joint stock company with limited liability.

According to the audit report prepared by an independent third-party auditor under the PRC GAAP, as of March 31, 2015, the net asset of Yuehua Limited was RMB170,072,255.94, of which RMB100,000,000 was converted into 100,000,000 shares with a nominal value of RMB1.00 each, and

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

issued to the then shareholders in proportion to their capital contribution in Yuehua Limited. The remaining amount of the net asset was credited to capital reserve of Yuehua Limited.

On July 15, 2015, upon approval at a shareholders’ general meeting, the share capital of Yuehua Limited was further increased to RMB110,000,000 as contributed by all then shareholders.

The shareholding structure of Yuehua Limited upon the completion of such restructuring and increase in share capital is set forth below.

No.	Name of Shareholder	Number of Shares	Shareholding Percentage
1.	Ms. Du .....	57,788,055	52.53%
2.	Shanghai Wentou .....	27,500,135	25.00%
3.	Mr. WANG Huan .....	7,569,946	6.88%
4.	Tibet Huaguoguo .....	6,856,884	6.23%
5.	Zhoushan Dailesi .....	5,142,490	4.68%
6.	Xinjiang Rongzheng .....	5,142,490	4.68%
	<b>Total</b> .....	<b>110,000,000</b>	<b>100.00%</b>

### 5. Listing on and Delisting from the NEEQ and Share Transfers

Shares of Yuehua Limited were listed on the NEEQ on September 22, 2015 and delisted from the NEEQ on March 22, 2018. For details of the listing on and delisting from NEEQ, see “—Listing on and Delisting from NEEQ and A Share Listing Attempt.”

In August 2018, Ms. Du transferred 5,489,000 shares of Yuehua Limited to Beijing Quantum Jump Technology Co., Ltd. (北京量子躍動科技有限公司) (“Quantum Jump”), one of our [REDACTED] Investors, at a total consideration of RMB124,750,000, details of which are set forth in “—[REDACTED] Investments” below. On August 3, 2018, Ms. Du entered into share transfer agreements with 11 shareholders of Yuehua Limited (who became shareholders of Yuehua Limited during its listing on the NEEQ) separately to purchase their shares of Yuehua Limited at a total consideration of RMB49,962,480. All of the 11 shareholders are Independent Third Parties and none of them held more than 0.5% of shares of Yuehua Limited before such share transfers.

On July 24, 2020, Shanghai Kunling Network Technology Partnership (Limited Partnership) (上海坤伶網絡科技合夥企業 (有限合夥)) (“Shanghai Kunling”) separately entered into share transfer agreements with Xinjiang Rongzheng, Zhoushan Dailesi and CMC, pursuant to which Shanghai Kunling acquired an aggregate of 21,284,980 shares of Yuehua Limited at a total consideration of RMB307,250,000. In addition, on July 24, 2020, Ms. Du entered into a share transfer agreement with Mr. WANG Huan, pursuant which Ms. Du acquired an aggregate of 586,667 shares of Yuehua Limited at a total consideration of RMB8,000,000.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The shareholding structure of Yuehua Limited upon the completion of the aforementioned share transfers is set forth below.

No.	Name of Shareholder	Number of Shares	Shareholding Percentage
1.	Ms. DU Hua	53,015,722	48.20%
2.	Shanghai Kunling <sup>(1)</sup>	21,284,980	19.35%
3.	CMC <sup>(2)</sup>	16,500,135	15.00%
4.	Tibet Huaguoguo	6,856,884	6.23%
5.	Mr. WANG Huan	6,624,279	6.02%
6.	Quantum Jump	5,489,000	4.99%
7.	Mr. FANG Shaojun	200,000	0.18%
8.	Mr. XIAO Fei	29,000	0.03%
	<b>Total</b>	<b>110,000,000</b>	<b>100.00%</b>

*Notes:*

(1) For the shareholding structure of Shanghai Kunling, see “—Reorganization.”

(2) In 2018, Shanghai Wentou transferred all share capital it held in Yuehua Limited to CMC, one of its affiliates.

### 6. Strategic Investments by Financial Investors

From July 2014 to February 2022, Yuehua Limited completed several strategic investments, details of which are set forth in “—[REDACTED] Investments” below.

There have not been any major shareholding changes in other major subsidiaries of the Company since their respective incorporation.

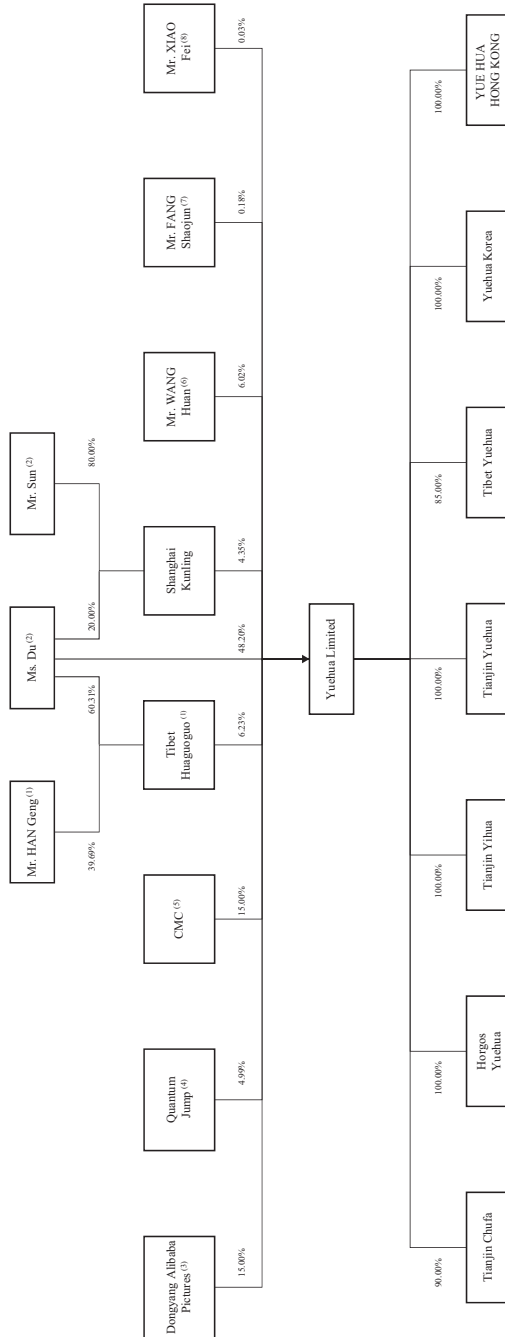
## MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our inception that we consider to be material to us.

**HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

**REORGANIZATION**

The following chart sets forth our Group’s simplified corporate and shareholding structure immediately prior to the commencement of the Reorganization.



**Notes:**

- (1) Mr. Han Geng is an artist managed by our Company. Tibet Huangguo was initially established as a platform for incentivizing managed artists of the Group. Accordingly, Mr. Han Geng and certain other then managed artists of the Group became shareholders of Tibet Huangguo in 2014. After the expiration of the contracts between such other managed artists and the Group, their interests in Tibet Huangguo were eventually transferred to Ms. Du.
- (2) Ms. Du and Mr. Sun are cohabiting as spouse.
- (3) Dongyang Alibaba Pictures (as defined below) is one of our [REDACTED] Investors. For details, see “—Information about the [REDACTED] Investors.”
- (4) Quantum Jump (as defined below) is one of our [REDACTED] Investors. For details, see “—Information about the [REDACTED] Investors.”
- (5) CMC (as defined below) is one of our [REDACTED] Investors. For details, see “—Information about the [REDACTED] Investors.”
- (6) Mr. WANG Huan serves as the supervisor of several subsidiaries of the Company. Mr. Wang is an experienced investor. Apart from his investment in the Group, Mr. Wang also invested in various companies in technology, culture and media sectors. Due to his other business commitments, Mr. Wang never participated in the day-to-day operations of the Group since his investment in the Group. Mr. Wang has confirmed that he has no intention to serve as a Director of the Company and decided to remain as a Shareholder and a supervisor of several subsidiaries of the Company.
- (7) Mr. FANG Shaojun is an Independent Third Party, who became a shareholder of Yuehua Limited during its listing on the NEEQ.
- (8) Mr. XIAO Fei is an Independent Third Party, who became a shareholder of Yuehua Limited during its listing on the NEEQ.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In preparation for the [REDACTED], we underwent the following Reorganization before the [REDACTED]:

### I. Step 1: Incorporation of our Company, offshore subsidiaries and our WFOE

#### Incorporation of our Company

On June 10, 2021, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of our Group, as part of the Reorganization. Upon incorporation, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 Shares with a par value of US\$0.0001 each. For the purpose of reflecting the existing individual shareholders’ investments in Yuehua Limited before the Reorganization, on the same day, our Company allotted and issued certain Shares at par value to the offshore holding vehicles designated by certain of the then existing individual shareholders of Yuehua Limited (collectively, the “Individual Holder Entities”) and the details of the number of Shares issued are set out in the table below.

<u>Name of Shareholder</u>	<u>Number of Shares</u>
DING GUOHUA LIMITED <sup>(1)</sup> .....	58,108,105
Bloom Joy Capital Profit Limited <sup>(2)</sup> .....	6,624,279
QINGDINGDANG LIMITED <sup>(3)</sup> .....	3,827,984
POWER JOY PLUS LIMITED <sup>(4)</sup> .....	2,721,497
Changyang Limited <sup>(5)</sup> .....	200,000
UPXF GROUP LIMITED <sup>(6)</sup> .....	29,000
<b>Total</b> .....	<b>71,510,865</b>

*Notes:*

- (1) At the time of the incorporation of the Company, DING GUOHUA LIMITED was wholly owned by HuaDingGuo Limited., which was in turn wholly owned by Ms. Du.
- (2) Bloom Joy Capital Profit Limited is wholly owned by Mr. WANG Huan (王歡).
- (3) At the time of the incorporation of the Company, QINGDINGDANG LIMITED was wholly owned by DingDangQing Limited, which was in turn wholly owned by Mr. Sun.
- (4) POWER JOY PLUS LIMITED is wholly owned by Mr. HAN Geng (韓庚).
- (5) Changyang Limited is wholly owned by Mr. FANG Shaojun (方韶軍).
- (6) UPXF GROUP LIMITED is wholly owned by Mr. XIAO Fei (肖飛).

#### Incorporation of Yuehua BVI and Yuehua HK

On June 22, 2021, Yuehua BVI was incorporated in BVI and issued one ordinary shares to our Company, being its sole shareholder.

On July 6, 2021, YH Entertainment Group (HK) Limited was incorporated as a limited liability company in Hong Kong. It issued and allotted 10,000 ordinary shares to Yuehua BVI, being its sole shareholder.

#### Incorporation of the WFOE

On September 24, 2021, our WFOE was incorporated as a limited liability company in the PRC with YH Entertainment Group (HK) Limited as the sole shareholder. The authorized share capital of the WFOE is RMB200,000,000.

### II. Step 2: Investment by Joistar Asia (HK) Limited

On August 30, 2021, Mr. WANG Huan (王歡) transferred an aggregate of RMB1,100,000 registered capital, which represents 1.00% of the then registered capital of Yuehua Limited, to Joistar



---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

Asia (HK) Limited (“Joinstar HK”) at a consideration of RMB8,000,000. The consideration was determined with reference to the net asset value of Yuehua Limited as of June 30, 2021. Joinstar HK is wholly owned by Joinstar Asia Limited, a BVI incorporated company, which is in turn wholly owned by Mr. Nick Ning Yang (楊寧), an Independent Third Party. Following such share transfer, Yuehua Limited was converted from a domestic company into a sino-foreign joint venture company. For details, see “[REDACTED] Investments.”

### III. Step 3: Acquisition of Yuehua Limited by the WFOE

On December 30, 2021, Ms. Du, Mr. WANG Huan, Mr. FANG Shaojun, Mr. XIAO Fei, Huarenwenhua Co., Ltd. (華人文化有限責任公司) (“CMC”, an affiliate of Shanghai Wentou), Tibet Huaguoguo, and Shanghai Kunling, transferred an aggregate of RMB86,911,000 registered capital of Yuehua Limited to our WFOE at a total consideration of RMB344,554,575.91, which was determined with reference to the net asset value of Yuehua Limited as of October 31, 2021 and previous investment cost of Shanghai Wentou. The consideration was fully settled on December 27, 2021. Immediately after such transfer, Yuehua Limited was owned as to 79.01% by our WFOE, 15.00% by Zhejiang Dongyang Alibaba Pictures Co., Ltd. (浙江東陽阿里巴巴影業有限公司) (“Dongyang Alibaba Pictures”), 4.99% by Quantum Jump, and 1.00% by Joinstar HK.

On January 30, 2022, Dongyang Alibaba Pictures and Quantum Jump transferred their respective entire equity interest in Yuehua Limited to our WFOE at a consideration of RMB277,500,000 and RMB124,750,000, respectively, which was determined with reference to their respective previous investment costs. The consideration was fully settled on February 7, 2022. Immediately after such transfers, Yuehua Limited was owned as to 99.00% by our WFOE and 1.00% by Joinstar HK.

### IV. Step 4: Issuance of Shares by our Company and Capital Injection by Individual Holder Entities

On January 28, 2022, the authorized share capital of the Company was changed to US\$50,000, as divided into (i) 461,510,865 Shares; (ii) 16,500,135 Series A-1 Preferred Shares; (iii) 5,489,000 Series A-2 Preferred Shares; and (iv) 16,500,000 Series A-3 Preferred Shares, each of a par value of US\$0.0001 each.

To mirror the onshore shareholding structure of Yuehua Limited, 1,100,000 ordinary Shares of our Company were issued to DIAMOND HAMMOCK LIMITED (a BVI incorporated company wholly owned by Mr. Nick Ning Yang) on January 28, 2022. In consideration for such issuance, Mr. Nick Ning Yang transferred all of his equity interest in Joinstar Asia Limited to Yuehua BVI on January 30, 2022. In addition, 1,100,000 ordinary Shares of our Company held by Bloom Joy Capital Profit Limited (an SPV wholly owned by Mr. WANG Huan (王歡)) were canceled to mirror the share transfer in Step 2 as part of the Reorganization.

Subsequently, as part of Reorganization, the offshore affiliates of CMC, Quantum Jump and Dongyang Alibaba Pictures entered into a share subscription agreement with the Company for the subscription of 16,500,135 Series A-1 Preferred Shares, 5,489,000 Series A-2 Preferred Shares and 16,500,000 Series A-3 Preferred Shares, respectively. The Shares were issued on January 28, 2022 and the consideration for such subscriptions has been fully settled.

In addition, the Individual Holder Entities made capital contribution in the amount of approximately US\$31.9 million into the Company as share premium.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

The consideration received by the Company for the abovementioned subscriptions and capital contribution approximate to the consideration paid by our WFOE in Step 3.

### V. Share Incentive Plan

On December 10, 2021, our Company adopted the Share Incentive Plan in order to motivate, attract and encourage certain officers, managers, employees, directors and other eligible persons (including any advisor, consultant, customer, supplier, or other third parties who the Chief Executive Officer considers, in its sole discretion, has contributed or will contribute to the Group). On the basis that the existing laws and administrative regulations of the PRC and those officially proposed and announced by competent authorities do not prohibit or restrict the granting of share awards to participants eligible under the Share Incentive Plan, our PRC Legal Advisor is of the view that the granting of awards pursuant to the Share Incentive Plan do not contravene the current effective and the aforesaid proposed laws and administrative regulations of the PRC.

Pursuant to the Share Incentive Plan, the maximum number of Shares in respect of which awards may be granted shall not exceed 5,790,000 Shares. On December 10, 2021 and March 4, 2022, 1,542,500 Shares and 4,247,500 Shares were issued to two Share Incentive Plan Trusts of our Company, the original trustee of which are ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED, respectively, as reserve for the grant or vesting of awards under the Share Incentive Plan. As of the Latest Practicable Date, an aggregate of 5,137,250 outstanding RSUs in respect of 5,137,250 Shares had been granted to 20 eligible participants pursuant to the Share Incentive Plan. The RSUs representing the remaining Shares available under the Share Incentive Plan may be granted to eligible participants prior to [REDACTED].

For further details of the Share Incentive Plan, including the number and identities of the directors and/or senior management who were granted with share awards, and the dividend and voting right arrangement in relation to the Shares held by the trustees, see “Statutory and General Information—D. Share Incentive Plan” in Appendix V to this document.

### VI. Dismantlement of Contractual Arrangements

On August 30, 2021, Ms. Du and Mr. Sun collectively acquired 100% of the equity interest in Horgos Yuehua from Yuehua Limited. As a result, Horgos Yuehua was owned as to 51% and 49% by Ms. Du and Mr. Sun, respectively. On the same date, we adopted a series of contractual arrangements among Yuehua Limited, Horgos Yuehua, Ms. Du and Mr. Sun in order to exercise and maintain control over the operation of Horgos Yuehua and to obtain economic benefits from Horgos Yuehua. Horgos Yuehua engages in production and investment in variety program, movies and drama series, in which foreign investors are prohibited from holding any equity interests under the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)).

During the Track Record Period, the financial results of Horgos Yuehua has been included in the results of the business line of pan-entertainment business of the Group.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The table below sets forth the total revenue, profit, assets and liabilities attributable to Horgos Yuehua for the years ended December 31, 2019, 2020 and 2021:

	For the year ended December 31,		
	2019	2020	2021
	(RMB in thousands)		
Total Revenue	5,509	—	801
Total profit/(loss) after tax	(65,536)	(32,975)	(20,194)
Total assets <sup>(1)</sup>	100,883	30,541	77,136
Total liabilities <sup>(1)</sup>	48,298	51,629	54,049

*Note:*

(1) The above total assets and total liabilities attributable to Horgos Yuehua as at December 31, 2019, 2020 and 2021 already took into effect the eliminations of intercompany balances between Horgos Yuehua and other group companies when preparing the consolidated financial statements of the Group during the Track Record Period.

To focus on our core business, being artists management, we structurally dismantled the Contractual Arrangements on March 4, 2022 as part of the Reorganization by terminating the agreements in connection with the contractual arrangements. During the Track Record Period, the revenue contribution by Horgos Yuehua is relatively insignificant. Ceasing to engage in such businesses would enable the Group to allocate more resources to developing its core business. In connection with such dismantlement, a deemed distribution was approved by the Board and the Shareholders of the Company. Pursuant to such deemed distribution, all Shareholders of the Company upon completion of the Reorganization (other than ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED) received distribution of equity interest in Horgos Yuehua at nil consideration, in proportion to their respective shareholding in our Company. After the dismantlement of the Contractual Arrangements, the financial results of Horgos Yuehua will no longer be consolidated as part of the Group’s financial statements. We do not intend to engage in the businesses conducted by Horgos Yuehua, nor do we plan to invest in Horgos Yuehua or collaborate with Horgos Yuehua to jointly make investments. However, we may arrange our managed artists to participate in the shooting of movies and drama series produced by Horgos Yuehua in the future.

During the Track Record Period and up to the date of dismantlement of the Contractual Arrangement, Horgos Yuehua did not have any material non-compliance with relevant laws and regulations and had not been subject to any material litigation.

With respect to the business of the Group after the dismantlement of the Contractual Arrangement, the PRC Legal Advisor is of the view that: (i) although the music IPs and virtual artists may fall into the scope of Internet culture products, none of the Group’s PRC subsidiaries directly engaged or engage in Internet culture activities including but not limited to the developing, publishing and disseminating such culture products via Internet; and (ii) the music IP production and operation and commercial development of virtual artist do not fall under the scope of the Internet culture activities and are not subject to any foreign investment restrictions or prohibition under the Foreign Investment Law and the Negative List. For details of the Foreign Investment Law and the Negative List, see “Regulations—Laws and Regulations in relation to our Business in the PRC—Regulations Relating to Foreign Investment.”

### Legality of the Contractual Arrangements

Our PRC Legal Advisor is of the opinion that during the term of the Contractual Arrangements (i.e., up to the date of the dismantlement of the Contractual Arrangements), each of the agreements

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

comprising the Contractual Arrangements did not violate the provisions of the laws promulgated by the National People’s Congress of China and its Standing Committee, and the administrative regulations promulgated by the State Council, and was valid and binding on and enforceable against the relevant parties of each of the agreements, except that (i) the provisions pursuant to which the arbitral body may make a ruling for the dissolution of Horgos Yuehua may not be enforceable under the existing PRC laws; (ii) the interim relief or other rulings of the courts in Hong Kong and the Cayman Islands in respect of the matters under the Contractual Arrangements may not be recognized and enforceable under the PRC laws; (iii) the arbitral award made by the China International Economic and Trade Arbitration Commission under the dispute settlement provisions of the Contractual Arrangements shall only be enforceable upon the rulings of the PRC courts to approve the enforcement have been made.

Each of the agreements was binding on the parties thereto and none of them would be deemed as “impairing others legitimate rights and interests with malicious collusion” and void under the PRC Civil Code. As of the date of the Contractual Arrangements were dismantled, the PRC governmental, legislative, judicial and other authorities had not yet promulgated any regulations which prohibit the signing and performance of the Contractual Arrangements by the parties thereto, and our PRC Legal Advisor was not aware of any plans to do so by the aforementioned authorities.

However, our PRC Legal Advisor also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

### [REDACTED]

Pursuant to the resolutions passed by our Shareholders on [●], subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors shall be authorized to allot and issue a total of [REDACTED] Shares credited as fully paid at par on the [REDACTED] to the Shareholders whose names appear on the register of members of our Company in the Cayman Islands at the close of business on the business day preceding the [REDACTED], in proportion to their existing respective shareholdings (save that no holder of Shares shall be entitled to be allotted or issued any fraction of a Share) by capitalizing the relevant sum standing to the credit of the share premium account of our Company.

### [REDACTED] INVESTMENTS

#### Overview

We attracted several [REDACTED] Investors through capital injections or equity transfers. Details of those investments are summarized below.

#### (a) Capital Injection

No.	Date of capital injection agreement	Settlement date <sup>(1)</sup>	Subscriber	Registered capital subscribed for (RMB)	Total funds raised by our Company (RMB)	Cost per Share <sup>(2)</sup> (RMB)	Discount to the [REDACTED] <sup>(3)</sup>
1.	July 4, 2014	July 24, 2014	Shanghai Wentou <sup>(4)</sup>	190,159	122,360,000	[REDACTED]	[REDACTED]%

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### (b) Transfers of Shares or Equity Interests

No.	Date of equity/share transfer agreement	Settlement date <sup>(1)</sup>	Transferor	Transferee	Registered capital or Share capital transferred (RMB)	Consideration (RMB)	Cost per Share <sup>(2)</sup> (RMB)	Discount to the [REDACTED] <sup>(3)</sup>
1.	July 4, 2014	September 24, 2014	Ms. Du Mr. WANG Huan Zhoushan Daileisi Xinjiang Rongzheng	Shanghai Wentou	242,018	132,370,000	[REDACTED]	[REDACTED]%
2.	August 28, 2018	November 1, 2018	Ms. Du	Quantum Jump	5,489,000	124,750,000	[REDACTED]	[REDACTED]%
3.	November 16, 2020	November 24, 2020	Shanghai Kunling	Dongyang Alibaba Pictures	16,500,000	277,500,000	[REDACTED]	[REDACTED]%
4.	August 30, 2021	February 15, 2022	Mr. WANG Huan	Joinstar HK <sup>(5)</sup>	1,100,000	8,000,000	[REDACTED]	[REDACTED]%

*Notes:*

- (1) Refers to the last date of settlement for the relevant rounds of [REDACTED] Investments.
- (2) The cost per Share paid is calculated based on the share subscription/acquisition price paid by the relevant [REDACTED] Investors, and the number of Shares they receive pursuant to the Reorganization and upon completion of the [REDACTED].
- (3) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED].
- (4) In 2018, Shanghai Wentou transferred all share capital it held in Yuehua Limited to CMC, one of its affiliates.
- (5) Joinstar HK was then indirectly wholly owned by Mr. Nick Ning Yang (楊寧).

### Other Principal Terms of the [REDACTED] Investments

Use of Proceeds from the [REDACTED] Investments We have fully utilized the proceeds from the capital injection by Shanghai Wentou in the [REDACTED] Investments to support the business and operations of our Group, including but not limited to new business development, personnel recruitment as well as other general corporate purposes.

Strategic benefits brought by the [REDACTED] Investors At the time of the [REDACTED] Investments, our Directors were of the view that our Company would benefit from the additional capital to be provided by the Shanghai Wentou and some [REDACTED] Investors’ knowledge and experience.

Our [REDACTED] Investors include renowned professional investors, which can provide professional advices on our Group’s development and improve our corporate governance, financial reporting and internal control.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

By introducing our [REDACTED] Investors, we could also leverage on their network and resources to further develop our business. For instance, we could utilize the platform-based resources of certain affiliates of our [REDACTED] Investors to increase the public exposure of our manage artists.

The [REDACTED] Investments also demonstrated the [REDACTED] Investors’ confidence in the operation and development of our Group.

### Basis of Consideration

The consideration for the [REDACTED] Investments was determined based on arm’s length negotiations between our Group and Shanghai Wentou or between the relevant [REDACTED] Investors and the then shareholders of Yuehua Limited (as the case may be) with reference to Yuehua Limited’s operations, business scale and financial performance at the relevant times. Other factors were also taken into account in the determination of the consideration including but not limited to (i) the investment risk assumed by the relevant [REDACTED] Investors under the capital market conditions at the time of the relevant investments and (ii) the strategic benefits which would be brought by the [REDACTED] Investors to our Group as detailed above.

As advised by our PRC Legal Advisor, our Group has complied with all PRC laws and regulations that are applicable to the [REDACTED] Investments.

### Special Rights of [REDACTED] Investors

The [REDACTED] Investors were granted certain customary special rights in the [REDACTED] Investments, including but not limited to information rights, right to nominate directors, registration rights, conversion rights and right of first refusal.

All such shareholder rights (other than redemption rights) shall terminate and be of no further force or effect immediately before or upon the [REDACTED]. The redemption rights under the Shareholders Agreement shall terminate and be of no further force or effect immediately before the Company submits its application for the [REDACTED] of our Shares on the Stock Exchange, provided in the event where such [REDACTED] submission is withdrawn, rejected, lapses and is not renewed within a prescribed period of time, or the Company fails to consummate the [REDACTED], such redemption rights shall automatically be reinstated in full.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Information about the [REDACTED] Investors

Set out below is certain information of the [REDACTED] Investors. The Group has been engaged in certain business collaborations with the affiliates of Quantum Jump and Dongyang Alibaba Pictures. In addition, the Group also had certain business collaborations with the portfolio companies of CMC. Each of the non-executive Directors nominated by Quantum Jump, Dongyang Alibaba Pictures and CMC is currently an employee of the affiliate of the respective [REDACTED] Investors. Other than the business relationship established during the Group’s ordinary course of business and our non-executive Directors’ employment relationship with the respective affiliates of the [REDACTED] Investors, there is not any past or present relationships between (i) each of the [REDACTED] investors and their respective ultimate beneficial owners and investment manager, where applicable, and (ii) the Company and its subsidiaries, their controlling shareholders, directors, senior management, and their respective associates.

#### *Quantum Jump*

Quantum Jump is a limited liability company incorporated in the PRC. Quantum Jump is an investment holding company. Quantum Jump is a wholly-owned subsidiary of Douyin Co., Ltd. (抖音有限公司). The Group became acquainted with Quantum Jump in 2018 through business cooperation with an affiliate of Quantum Jump in ordinary course of operation.

Afflatus Limited, a Shareholder of the Company after the Reorganization, is an offshore affiliate of Quantum Jump. Afflatus Limited is an investment holding company.

#### *CMC*

CMC is a limited liability company incorporated in the PRC and is held by Suzhou Huarenwenhua Investment Center (Limited Partnership) (蘇州華人文化投資中心(有限合夥)) (“Suzhou CMC”) as to 99.99%. The general partner of Suzhou CMC is Suzhou Huarenwenhua Investment Management Co., Ltd. (蘇州華人文化投資管理有限公司) (holding approximately 0.31% of total subscribed capital contribution in Suzhou CMC), which is ultimately controlled by Mr. Li Ruigang. Suzhou CMC has 12 limited partners with Shenzhen Wenyuhuzhang Technology Co., Ltd. (深圳市文娛華章科技有限公司) (“Wenyuhuzhang”) holding approximately 23.15%, Hangzhou Ali Venture Capital Co., Ltd. (杭州阿里創業投資有限公司) (“Ali Venture Capital”) holding approximately 23.15%, Suzhou Hewen Investment Partnership (Limited Partnership) (蘇州禾文投資合夥企業(有限合夥)) holding approximately 18.92%, Kunshan Pinmingfu Enterprise Management Co., Ltd. (崑山品銘富企業管理有限公司) holding approximately 13.22%, Suzhou Ruifang Investment Management Co., Ltd. (蘇州瑞芳投資管理有限公司) holding approximately 6.48%, Shanghai Yueyan Enterprise Management Center (limited Partnership) (上海月宴企業管理中心(有限合夥)) holding approximately 5.85%, Shanghai Jingwei Investment Co., Ltd. (上海璟偉投資有限公司) holding approximately 2.92%, Jiangsu Zhaoyin Modern Industry Equity Investment Fund Phase I (Limited Partnership) (江蘇招銀現代產業股權投資基金一期(有限合夥)) holding approximately 2.20%, Ningbo Jiajia Equity Investment Partnership (limited Partnership) (寧波嘉佳股權投資合夥企業(有限合夥)) holding approximately 1.50%, Tianjin Maiyou Technology Partnership (limited Partnership) (天津邁遊科技合夥企業(有限合夥)) holding approximately 1.43%, Ms. Yi Hua (易驊) holding approximately 0.59% and Mr. Feng Ruigao (馮瑞高) holding approximately 0.26% of the total subscribed capital contribution in Suzhou CMC, respectively. To the best knowledge of Suzhou CMC, each of its limited partners is independent from the others. Wenyuhuzhang is ultimately controlled by Tencent Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700). Ali

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

Venture Capital is ultimately controlled by Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988). CMC is a leading media and entertainment conglomerate deeply engaged in the entertainment industry. Ms. Du became acquainted with Mr. Li Ruigang through introduction of her friends in 2014.

CMC Sports Investment Limited (“CMC Sports”), a Shareholder of the Company after the Reorganization, is an offshore affiliate of CMC. CMC Sports is an investment holding company.

### *Dongyang Alibaba Pictures*

Dongyang Alibaba Pictures is a limited liability company incorporated in the PRC. Dongyang Alibaba Pictures is a consolidated subsidiary of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1060). Alibaba Pictures Group Limited is a consolidated subsidiary of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988). Dongyang Alibaba Pictures is principally engaged in the investment in and production and distribution of movie and TV copyrights and investment management. The Group became acquainted with Dongyang Alibaba Pictures in 2017 through business cooperation with an affiliate of Dongyang Alibaba Pictures in its ordinary course of operation.

Interform Construction Supplies Limited (“Interform Construction”), a Shareholder of the Company after the Reorganization, is an offshore affiliate of Dongyang Alibaba Pictures. Interform Construction is an investment holding company.

### *Mr. Nick Ning Yang*

Mr. Nick Ning Yang is an independent individual investor and invested in our Company by acquiring equity interests from Mr. WANG Huan, whom Mr. Nick Ning Yang became acquainted through other business cooperations, with a view to benefiting from our future growth. Mr. Nick Ning Yang became aware of the potential investment opportunity in the Group through Mr. Wang. Mr. Nick Ning Yang is the co-founder of KongZhong Corporation which is engaged in the provision of digital entertainment services for the customers in the PRC and served as a director of KongZhong Corporation from March 2002 to July 2010.

### **Public Float**

CMC Sports holds approximately [REDACTED]% of the issued capital in our Company immediately prior to the completion of the [REDACTED], and will hold approximately [REDACTED]% upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). As such, CMC Sports will be a substantial shareholder of our Company upon [REDACTED], and the Share it holds will accordingly not be considered as part of the public float.

Interform Construction holds approximately [REDACTED]% of the issued capital in our Company immediately prior to the completion of the [REDACTED], and will hold approximately [REDACTED]% upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). As



---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

such, Interform Construction will be a substantial shareholder of our Company upon [REDACTED], and the Shares it holds will accordingly not be considered as part of the public float.

Except as stated above, the Shares held by other [REDACTED] Investors mentioned above will constitute part of the public float.

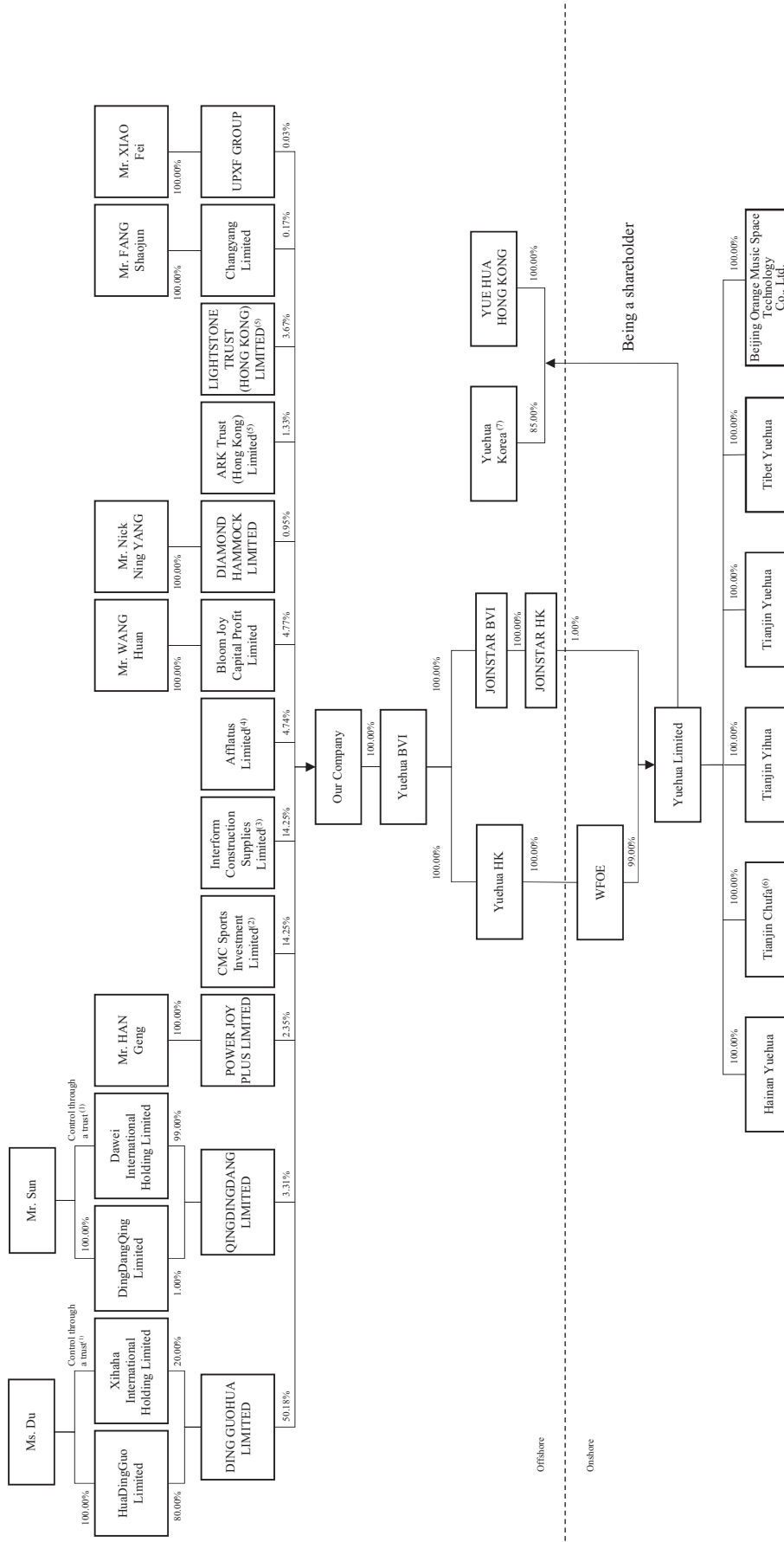
### **Compliance with Guidance Letters on [REDACTED] Investments**

On the basis that (i) the [REDACTED] is expected to take place on or around [REDACTED] and will be more than 120 clear days after the completion of the [REDACTED] Investments, which is February 15, 2022; and (ii) the [REDACTED] Investors shall have the same rights as the other public Shareholders after the [REDACTED], the Joint Sponsors have confirmed that, based on the documents provided by the Company relating to the [REDACTED] Investments, the [REDACTED] Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED] AND THE [REDACTED]

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganization but prior to the [REDACTED] and [REDACTED].



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

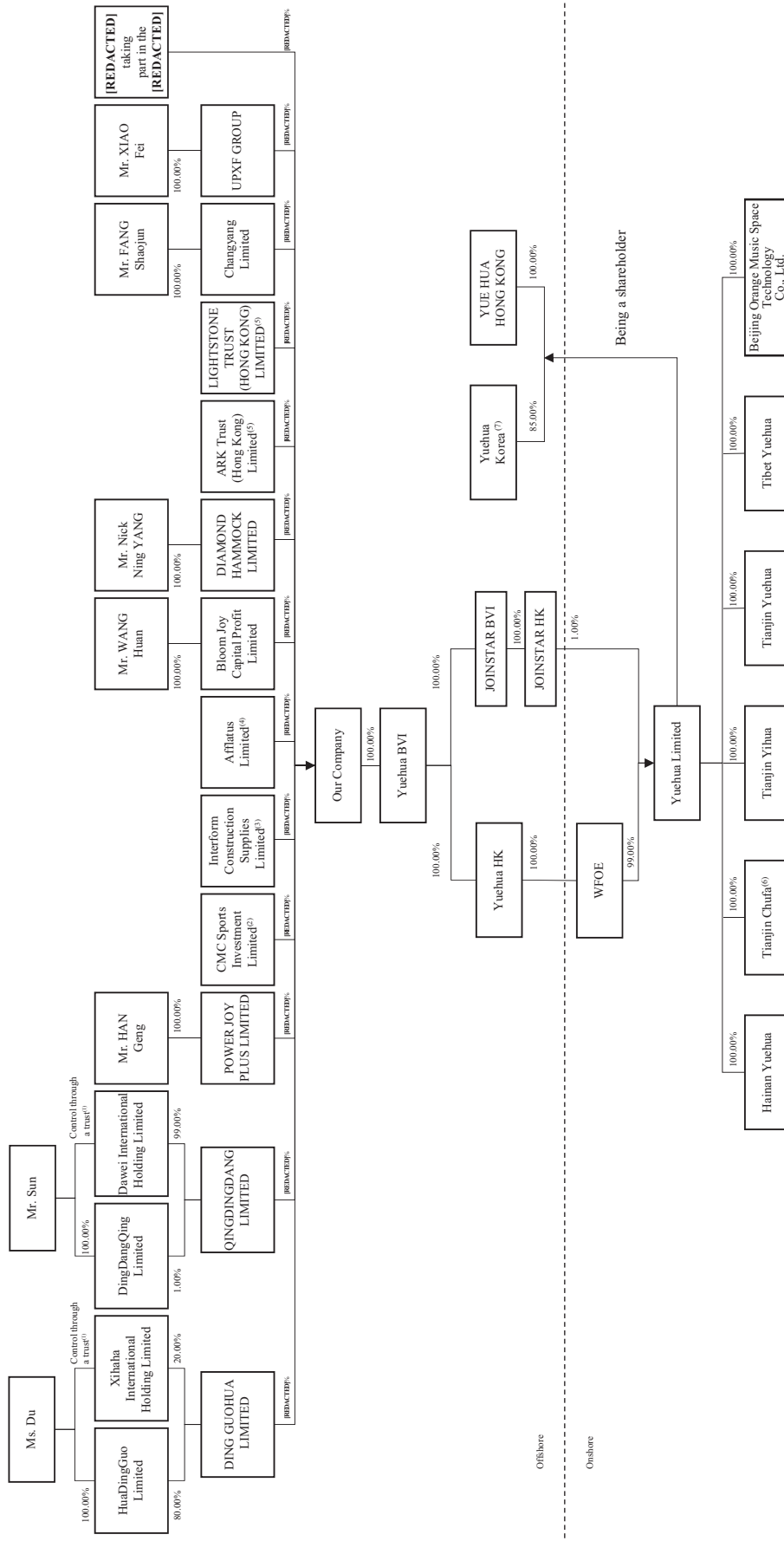
*Notes:*

- (1) Ms. Du controls Xihaha International Holding Limited through The Xihaha Trust. Mr. Sun controls Dawei International Limited through The Dawei Trust. The Xihaha Trust is a discretionary trust set up by Ms. Du as the settlor and protector in January 2022. The Dawei Trust is a discretionary trust set up by Mr. Sun as the settlor and protector in January 2022. The trustee of The Xihaha Trust and The Dawei Trust is Ocorian Singapore Trust Company Pte. Ltd..
- (2) CMC Sports Investment Limited is an offshore affiliate of CMC.
- (3) Interform Construction Supplies Limited is an offshore affiliate of Dongyang Alibaba Pictures.
- (4) Afflatus Limited is an offshore affiliate of Quantum Jump.
- (5) On December 10, 2021 and March 4, 2022, 1,542,500 Shares and 4,247,500 Shares were issued to two Share Incentive Plan Trusts of our Company, the original trustee of which are ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONGKONG) LIMITED, respectively, as reserve for the grant or vesting of awards under the Share Incentive Plan.
- (6) Tianjin Chufa is a wholly-owned subsidiary of Yuehua Limited. Tianjin Chufa used to be held as to 90% by Yuehua Limited and 10% by Mr. ZHOU Jingyu (周景煜), a vice president of Yuehua Limited. On June 30, 2022, Yuehua Limited entered into a share transfer agreement to acquire the remaining 10% equity interest held by Mr. ZHOU Jingyu in Tianjin Chufa at a consideration of RMB2,325,000.
- (7) The remaining 15% equity interest in Yuehua Korea was equally held by Mr. LEE Sang Kyu and Mr. JUNG Hae Chang, each being senior management and internal director of Yuehua Korea.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following chart sets forth our Group’s corporate and shareholding structure immediately after completion of the [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised.



Notes (1) to (7): See “Our Structure Immediately Prior to the [REDACTED] and the [REDACTED].”

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

### PRC LEGAL COMPLIANCE

Our PRC Legal Advisor has confirmed that the Reorganization has been conducted in compliance with applicable laws and regulations of the PRC and all necessary regulatory approvals in connection with the Reorganization have been obtained.

### SAFE REGISTRATION

Pursuant to the SAFE Circular No. 37, before a PRC resident contributes assets or equity interests in an overseas special purpose vehicle (the “Overseas SPV”), the PRC resident must conduct foreign exchange registration for offshore investment with the local branch of SAFE. Where a significant matter occurs such as a capital increase/decrease or equity transfer/replacement by a domestic resident individual, the foreign exchange modification registration procedure for foreign investment shall be undertaken with the local branch of SAFE in a timely manner. Pursuant to the Circular of SAFE on Further Simplification and Improvement Policies in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular No. 13”) issued by SAFE and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of SAFE.

Our PRC Legal Advisor has confirmed that each of our individual beneficial owners who are PRC residents had duly completed the relevant registrations as required under SAFE Circular No. 37 and SAFE Circular No. 13 as of September 23, 2021.

### M&A RULES

According to the M&A Rules jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise through relevant agreements, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor is of the opinion that, based on its understanding of the current PRC laws and regulations, prior CSRC and MOFCOM approval for the Reorganization is not required because (i) Yuehua Limited, a foreign-invested enterprise that we acquired, is not a “PRC domestic company” as defined under the M&A rules; (ii) the WFOE was not established through a merger or acquisition of equity interest or assets of a PRC domestic company as defined under the M&A Rules. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules and other PRC laws and regulations will be interpreted or implemented or whether the relevant authorities would promulgate further requirements.