

乐华娱乐集团

YH Entertainment Group

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2306

GLOBAL OFFERING



乐华娱乐

YUE HUA
ENTERTAINMENT

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners



IMPORTANT

IMPORTANT: If you have doubt about any of the contents in this prospectus, you should obtain independent professional advice.



乐华娱乐
YUE HUA
ENTERTAINMENT

YH Entertainment Group 乐华娱乐集团

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 132,560,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 13,256,000 Shares (subject to reallocation)
Number of International Offer Shares	: 119,304,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$8.50 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	: US\$0.0001 per Share
Stock code	: 2306

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



中信建投國際
CHINA SECURITIES INTERNATIONAL



中泰國際
ZHONGTAI INTERNATIONAL



招銀國際
CMB INTERNATIONAL



國泰君安國際
GUOTAI JUNAN INTERNATIONAL



富途證券



老虎證券
TIGER BROKERS



利弗莫尔证券
LIVEMORE HOLDINGS LIMITED



EDDID
艾德金融



中國銀河國際
CHINA GALAXY INTERNATIONAL

Joint Bookrunners

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, August 31, 2022 and, in any event, not later than Friday, September 2, 2022.

The Offer Price will be not more than HK\$8.50 per Offer Share and is currently expected to be not less than HK\$6.80 per Offer Share, unless otherwise announced. Applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$8.50 per Hong Kong Offer Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK\$8.50.

If, for any reason, the Offer Price is not agreed by Friday, September 2, 2022 between our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the other Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.yuehuamusic.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” in this prospectus. If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” in this prospectus. It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed “Risk Factors” in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares are being offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S or other exemption from the registration requirements under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.yuehuamusic.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

In accordance with the Listing Rules, we have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section and our website at www.yuehuamusic.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - i. instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - ii. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8690 on the following dates:

Wednesday, August 24, 2022 — 9:00 a.m. to 9:00 p.m.
Thursday, August 25, 2022 — 9:00 a.m. to 9:00 p.m.
Friday, August 26, 2022 — 9:00 a.m. to 9:00 p.m.
Saturday, August 27, 2022 — 9:00 a.m. to 6:00 p.m.
Sunday, August 28, 2022 — 9:00 a.m. to 6:00 p.m.
Monday, August 29, 2022 — 9:00 a.m. to 9:00 p.m.
Tuesday, August 30, 2022 — 9:00 a.m. to 9:00 p.m.
Wednesday, August 31, 2022 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

*If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.*

See “How to apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be made for a minimum of 400 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. You are required to pay the amount next to the number of Hong Kong Offer Shares you select.

YH Entertainment Group (HK\$8.50 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
400	3,434.27	6,000	51,514.01	50,000	429,283.37	600,000	5,151,400.35
800	6,868.53	8,000	68,685.34	60,000	515,140.04	700,000	6,009,967.08
1,200	10,302.81	10,000	85,856.68	70,000	600,996.71	800,000	6,868,533.80
1,600	13,737.07	12,000	103,028.00	80,000	686,853.38	900,000	7,727,100.53
2,000	17,171.34	14,000	120,199.34	90,000	772,710.06	1,000,000	8,585,667.25
2,400	20,605.60	16,000	137,370.67	100,000	858,566.73	2,000,000	17,171,334.50
2,800	24,039.87	18,000	154,542.01	200,000	1,717,133.45	3,000,000	25,757,001.75
3,200	27,474.13	20,000	171,713.35	300,000	2,575,700.18	4,000,000	34,342,669.00
3,600	30,908.41	30,000	257,570.02	400,000	3,434,266.90	5,000,000	42,928,336.25
4,000	34,342.67	40,000	343,426.69	500,000	4,292,833.63	6,628,000 ⁽¹⁾	56,905,802.54

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, our Company will issue an announcement to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.yuehuamusic.com.

Hong Kong Public Offering commences	9:00 a.m. on Wednesday, August 24, 2022
Latest time to complete electronic applications under White Form eIPO service through the designated website at www.eipo.com.hk ⁽²⁾	11:30 a.m. on Wednesday, August 31, 2022
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Wednesday, August 31, 2022
Latest time for (a) completing payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, August 31, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close ⁽³⁾	12:00 noon on Wednesday, August 31, 2022
Expected Price Determination Date ⁽⁵⁾	Wednesday, August 31, 2022

Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.yuehuamusic.com⁽⁶⁾ on or before

Tuesday, September 6, 2022

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.yuehuamusic.com, respectively⁽⁶⁾
 - from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from
 - from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on
- Tuesday, September 6, 2022
- 8:00 am. on Tuesday, September 6, 2022 to 12:00 midnight on Monday, September 12, 2022
- Tuesday, September 6, 2022, Wednesday, September 7, 2022, Thursday, September 8, 2022 and Friday, September 9, 2022

Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering to be dispatched/collected or deposited into CCASS on or before^{(7) (9)} ...

Tuesday, September 6, 2022

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering to be dispatched/collected on or before^{(8) (9)}

Tuesday, September 6, 2022

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on

Wednesday, September 7, 2022

EXPECTED TIMETABLE⁽¹⁾

The application for the Offer Shares will commence on Wednesday, August 24, 2022 through Wednesday, August 31, 2022, being longer than normal market practice of three and a half days. The application monies (including the brokerage fees, SFC transaction levy, FRC transaction levy and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, September 6, 2022. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, September 7, 2022.

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, August 31, 2022, the application lists will not open and will close on that day. For further details, see “How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to the HKSCC via CCASS or instructing your **broker or custodian** to apply on your behalf via CCASS should refer to “How to Apply for Hong Kong Offer Shares—6. Applying Through **CCASS EIPO** Service” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Wednesday, August 31, 2022, and in any event, not later than Friday, September 2, 2022. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and us on or before Friday, September 2, 2022, the Global Offering will not proceed and will lapse.
- (6) Neither of the websites nor any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid evidence of title do so entirely at their own risk.
- (8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of wholly or partially successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect any refund checks (where applicable) and/or share certificates (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 6, 2022 or such other date as notified by us as the date of dispatch/collection of share certificates/e-refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.
Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to “How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies—Personal Collection—(ii) if you apply through **CCASS EIPO** service” in this prospectus for details.
Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank account may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.
Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund checks will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.
Further information is set out in “How to Apply for Hong Kong Offer Shares—13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus.

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer

EXPECTED TIMETABLE⁽¹⁾

Shares, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors.” You should read the entire document carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an established artist management company in China. According to Frost & Sullivan, we ranked first among artist management companies in China with a market share of 1.9% in terms of artist management revenue in 2021. Since our establishment in 2009, we have grown into a culture and entertainment platform comprising three complementary businesses of artist management, music IP production and operation, and pan-entertainment business.

Consumers’ ever-expanding demand for high-quality entertainment has put increased spotlights on established artists, around whom the entertainment industry has been evolving for many years. Today’s established artists no longer limit themselves to one particular genre in which they originally specialize. They perform in various types of entertainment content, including music, variety programs, drama series and movies. Further, through endorsement deals and business promotion activities, established artists help corporate customers raise the market awareness of their products or services. As a professional artist management company, we arrange our managed artists to provide high quality services to our customers, and assist our managed artists to pursue commercial opportunities and develop their career. Our business covers the entire artist management industry value chain, from artist training, artist operation to artist promotion. Our extensive industry expertise has laid the foundation for us to lead China’s artist management market and embrace the opportunities.

Our business model consists of the following three business lines:

- **Artist management.** We have established a full-fledged professional artist management system, which has enabled us to assemble a diverse team of managed artists and a robust pipeline of trainees. As of the Latest Practicable Date, we had 66 managed artists and 71 trainees enrolled in our trainee program. We continuously identify candidates with high artistic potential, and train them into artists with solid performing skills, strong professionalism and sound moral character. Benefiting from their positive public images and popularity, our managed artists have entered into endorsement deals with, and participated in business promotion activities for, a wide selection of well-known domestic and international brands. In addition, our managed artists have played important roles in various popular productions, such as the drama series “Faith Makes Great: Choice (理想照耀中國之抉擇),” “Luoyang (風起洛陽)” and “Floating Youth (冰球少年),” the movies “The Pioneer (革命者),” “The Founding of An Army (建軍大業)” and “Beginning of the Great Revival (建黨偉業),” and the variety programs “Street Dance of China (這！就是街舞)” and “One More Try (極限青春).” In a highly fragmented artist management market in China, we have the largest market share, in terms of artist management revenue in 2021, of 1.9%, according to Frost & Sullivan.

In the artist management business, we generate revenue primarily from providing services to customers, which include corporate customers, media platforms, content producers and advertising agencies, by arranging our managed artists to (i) participate in commercial activities, such as endorsement deals, business promotion activities and other commercial activities, and (ii) provide entertainment content services such as performing in movies,

SUMMARY

drama series and variety programs. Our cost of revenue consists primarily of payments to our managed artists and their related entities, who are our major suppliers. Pursuant to the artist management contracts, we share revenue with our managed artists after deducting relevant expenses, according to percentages set out in the artists' contracts, which vary according to the terms of the contracts.

During the Track Record Period, we entered into cooperation agreements with certain media platforms, which allowed them to manage some of our managed artists for a period typically ranging from 18 to 24 months. We share the revenue generated with these platforms based on agreed percentages. After the conclusion of such arrangement, we will continue to manage the artists pursuant to their artist management contracts.

For more details about the business model of our artist management business, see “Business—Our Business—Artist Management.”

- **Music IP production and operation.** As many of our managed artists were trained to sing, we started our music IP production and operation business in 2009. We have established an extensive library of music IPs, comprising approximately 1,100 original music recordings and videos we produced for our managed artists and more than 56,000 musical works we licensed from third-party copyright holders as of April 30, 2022. The musical works in our music IP library cover a diverse range of genres, including pop, ballad, electronic dance, hip hop and rock. The digital singles and albums we produced for our managed artists enjoy high popularity. As of April 30, 2022, “No Feelings (無感)” and “My Rules (我的世界守則),” two digital singles we produced for Mr. Wang Yibo, sold over 17 million and 15 million copies, respectively. “Chapter Z,” a digital album we produced for Mr. Zhu Zhengting, sold approximately two million copies as of the same date. Musical works we produced for our managed artists are distributed on China's top music streaming platforms, such as NetEase Cloud Music and Tencent Music, as well as international music streaming platforms for listeners to stream or download.

In the music IP production and operation business, we generate revenue primarily from (i) licensing of our original music IPs to music service providers, (ii) sub-licensing of our licensed music IPs to music service providers, and (iii) sales of digital and physical copies of our music IPs. Our customers primarily include major music streaming platforms and telecommunication companies in China. Our cost of revenue consists primarily of production cost of music content, such as licensing fees paid to service providers who provide us with demos, music compositions and lyrics. During the Track Record Period, in addition to our in-house music production team, we engaged third parties to facilitate our music production process from time to time. For more details about the business model of our music IP production and operation, see “Business—Our Business—Music IP Production and Operation.”

- **Pan-entertainment business.** Leveraging our industry experience in the artist management market, we have actively expanded our footprint in the pan-entertainment business, including commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise. We collaborated with a business partner to develop A-SOUL, a popular virtual artist group consisting of five digitally created members, which debuted in November 2020.

In the pan-entertainment business, we generate revenue primarily from (i) commercial development of virtual artists, (ii) variety program format licensing and (iii) sales of artist-

SUMMARY

related merchandise. During the Track Record Period, we collaborated with a business partner in the commercial development of A-SOUL and engaged third parties in the production and sales of artist-related merchandise.

We experienced rapid growth in 2019, 2020 and 2021. 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 significantly 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. Our revenue increased by 3.4% from RMB341.3 million in the four months ended April 30, 2021 to RMB352.9 million in the four months ended April 30, 2022. Our profit for the period decreased by 27.3% from RMB110.7 million in the four months ended April 30, 2021 to RMB80.5 million in the four months ended April 30, 2022, primarily due to the equity settled share-based payments incurred in the four months ended April 30, 2022. For more details, see “Financial Information—Period to Period Comparison of Results of Operations.”

OUR COMPETITIVE STRENGTHS

We believe our previous success is attributable to the following competitive strengths:

- An established artist management company in China;
- Yuehua model underpinned by systematic trainee cultivation and professional artist operation;
- Extensive, diversified and longstanding cooperation with business partners;
- Established Yuehua brand image underpinned by corporate social responsibility; and
- Visionary and experienced management team and resourceful investors.

For further details, see “Business—Our Competitive Strengths.”

OUR STRATEGIES

To achieve our business objectives, we intend to leverage our competitive strengths and implement the following strategies:

- Solidify our advantage by increasing the quality and quantity of our managed artists;
- Further expand our music IP library;
- Continue to diversify our business model and build a comprehensive culture and entertainment platform;
- Explore the overseas market and expand our global footprint; and
- Continue to recruit and retain talented professionals for our business and management teams.

For further details, see “Business—Our Strategies.”

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RISK FACTORS

Our business and the Global Offering involve certain risks, which are set out in “Risk Factors” in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks that we face include:

- 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 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;
- 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 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; and
- 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers consisted primarily of (i) domestic and international brands; (ii) content producers and media platforms; and (iii) music service providers that license music IPs from us. Our revenues attributable to the five largest customers for each year or period during the Track Record Period were RMB173.3 million, RMB245.2 million, RMB301.2 million and RMB72.1 million, respectively, accounting for approximately 27.4%, 26.5%, 23.4% and 20.4% of our total revenue for the corresponding year or period, respectively.

During the Track Record Period, our suppliers consisted primarily of (i) our managed artists and entities controlled by them; (ii) media platforms; (iii) service providers who provide styling, personal security and photography services; and (iv) service providers who provide demos, music compositions and lyrics in connection with our music IP production and operation. Our purchases of services attributable to the five largest suppliers for each year or period during the Track Record Period were RMB152.1 million, RMB229.5 million, RMB424.6 million and RMB120.6 million, respectively, accounting for approximately 43.3%, 53.6%, 61.6% and 61.2% of our total purchases for the corresponding year or period, respectively.

Relationship with Our Managed Artists

Our managed artists play an important role in our business development and our cooperation with them is an integral part of our business operation. Our rich industry resources, professional artist

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management teams and proven track record of nurturing well-known artists have allowed us to continuously attract talented young people and promote the performing art careers of our managed artists, helping us create and maintain a mutually beneficial and complementary relationship with the artists.

We have established and maintained stable, long-term business relationships with our managed artists with exclusive artist management contracts. The majority of these long-term contracts have terms ranging from five to 15 years. Our contracts with artists who are graduates of our Yuehua trainee program typically have even longer terms, ranging from eight to 15 years.

55 of our 66 managed artists as of the Latest Practicable Date are graduates of our Yuehua trainee program. The long-term working relationship between our managed artists and us formed during the trainee stage also instills a sense of belonging and facilitates the smooth execution of artist management contracts. Benefiting from stable cooperation with our managed artists, we are able to build a continuously expanding artist roster.

The revenue attributable to our top ten artists for 2019, 2020, 2021 and the four months ended April 30, 2022, accounted for 74.8 %, 83.0 %, 85.6 % and 84.5% of our total revenue for the corresponding periods, respectively. The revenue attributable to our top one artist for 2019, 2020, 2021 and the four months ended April 30, 2022, accounted for 16.8%, 36.7%, 49.5% and 56.8% of our total revenue for the corresponding periods, respectively. A majority of our top ten artists debuted between 2014 and 2018. As the top ten artists gradually established themselves in the market, their recognition and commercial value started to rise rapidly. Therefore, they contributed a significant portion of our revenue during the Track Record Period. Among them, the artist controlling one of our major suppliers which is referred to as Supplier B in this prospectus had successfully become an established artist in China and maintained his popularity during the Track Record Period. The revenue attributable to such artist was a major contributor to our revenue growth, in particular starting from 2020. Our revenue growth attributable to such artist accounted for over 80% of our overall revenue growth in 2020, 2021 and the four months ended April 30, 2022.

According to Frost & Sullivan, it is an industry norm that, at any given time, artists with high popularity contribute a significant portion of revenue of the artist management companies they work with. However, artists with high popularity change from time to time due to the changing audience preferences, according to Frost & Sullivan. To keep our competitive advantage, we will (i) continue to promote our managed artists who debuted after 2018, who have gradually established themselves in the market, and (ii) continue to expand our artist roster by training and arranging debut for our trainees, so that we can keep identifying, training and promoting artists with high popularity and commercial value. For details, see “Business—Relationship with Our Managed Artists.”

DATA PRIVACY AND SECURITY

As an artist management company operating in the entertainment industry, we are not heavily engaged in the collection or processing of private data. We mainly collect (i) data that is publicly available, (ii) personal information provided by applicants, trainees and artists with their consent, and (iii) business data, such as sales data of commercial promotion activities and number of clicks, views and downloads of musical works and performance of virtual artist group, provided by our business partners. We use personal information only for the purpose of trainee selection or providing trainees and artists with appropriate training and artist operation services in accordance with the contracts

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signed with them. With respect to business data, we mostly use it for accounting and expense settlement with our business partners.

In the course of our business, we do not actively collect or maintain any personal information of the fans of our managed artists. We set up official fan club accounts on Weibo for our managed artists and publish posts with latest updates of the artists. Those who have accounts on Weibo can choose to follow our official fan club accounts. We only have information that is publicly available on Weibo, such as the number of followers of each fan club account, as well as followers' nicknames and profile pictures. We may also have fans' email addresses if they contact us via email. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any investigation, penalty or recourse with respect to data security and personal information protection.

Based on the facts above, our PRC Legal Advisor is of the opinion that we had complied with the laws and regulations on data security and personal information protection in all material aspects up to the Latest Practicable Date.

COMPLIANCE AND LITIGATION

We are subject to a wide range of PRC laws and regulations in the ordinary course of business. For details, see “Regulations.” During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole. For details, see “Business—Compliance and Litigation.”

We may be involved in legal or other disputes in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending litigation, arbitration or administrative proceedings that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation. Our Directors had not been involved in any actual or threatened material claims or litigation during the Track Record Period and up to the Latest Practicable Date.

RECENT REGULATORY DEVELOPMENT

A series of new regulations and policies were issued and promulgated from time to time during the past several years by relevant administrative authorities in the PRC, which were intended to encourage a healthy and orderly development of the entertainment market.

Regulations relating to management of the activities of artists and artist management companies (collectively, the “Notices” and each a “Notice”)

On August 25, 2021, Office of the Central Cyberspace Affairs Commission (中共中央網絡安全和信息化委員會辦公室) issued the Notice on Further Strengthening the Supervision of the Chaotic Celebrity Fan Culture (《關於進一步加強“飯圈”亂象治理的通知》), which requires (i) strengthening the responsibility of artist management companies to guide fans to act responsibly; (ii) prohibiting the incitement of fans to spend money irrationally, such as ranking fans in terms of spending on artists; (iii) prohibiting paid voting for artists in variety programs; (iv) requiring market participants to strictly prohibit minors from spending money for artists and restricting them from engaging in various fan club activities; and (v) tightening regulation on fans' fundraising activities to promote artists.

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On September 2, 2021, the NRTA issued the Notice on Emphasizing the Management and Regulation of Entertainment Programs and Related Personnel (《關於進一步加強文藝節目及其人員管理的通知》), which requires that broadcasting and television organizations and online video platforms (i) must not allow artists (a) who have committed illegal or immoral acts, (b) who have incorrect political stances and whose thoughts and values have diverged from core societal values, and (c) who have violated public order or morality, to perform; (ii) must not broadcast variety programs in the idol development genre; (iii) must not use voting mechanisms that induce the audience to spend money on contestants in competitive variety programs; (iv) must not use “yin-yang contracts” and shall strictly implement the regulations on maximum wages for artists who provide entertainment content services; and (v) strengthen supervision on content.

On September 29, 2021, Ministry of Culture and Tourism issued the Notice on Regulating Performance Agency Conduct, Strengthening Administration of Performers and Promoting the Healthy and Orderly Development of Performance Market (《關於規範演出經紀行為加強演員管理促進演出市場健康有序發展的通知》), pursuant to which (i) those who engage in performance agency activities and artist management activities shall obtain a Commercial Performance License (營業性演出許可證); (ii) those who engage in artist management activities shall obtain a Performance Brokerage Qualification Certificate (演出經紀資格); (iii) those who engage in performance agency or artist management activities for minors shall guarantee the minors’ right to receive and complete mandatory education pursuant to the relevant laws and regulations; and (iv) those who engage in artist management activities shall strengthen their guidance of fan behaviors, supervise the contents of the social media accounts of authorized fan clubs, and urge artists to take the initiative to provide positive guidance for fans groups when they have inappropriate behaviors.

On October 26, 2021, Office of the Central Cyberspace Affairs Commission (中共中央網絡安全和信息化委員會辦公室) issued the Notice on Further Strengthening the Work Related to the Regulation of Online Information for Entertainment Artists (《關於進一步加強娛樂明星網上信息規範相關工作的通知》), pursuant to which the official social media account of an artist’s fan club must be authorized or certified by the artist’s artist management company, which shall be responsible for the daily maintenance and supervision of the account. Unauthorized individuals or organizations are not allowed to register social media accounts for artist fan clubs.

On May 20, 2022, the NRTA issued Administrative Measures for Performance Agencies in the Field of Radio, Television and Online Audiovisual Platforms (《廣播電視和網絡視聽領域經紀機構管理辦法》), pursuant to which artist management companies: (i) shall confirm the identity of its managed artists; (ii) shall obtain the consent of the guardians when providing artist management services to minors, and shall not arrange minors to perform in activities that would harm their physical or psychological well-being; (iii) shall not arrange its managed artists to perform in illegal or immoral entertainment content; (iv) shall recruit enough staff to meet business needs and the ratio of the number of managers to the number of their managed persons, which, as advised by our PRC Legal Advisor, include both artists and trainees managed by managers, shall be no lower than 1/100 in principle; (v) shall not authorize minors to serve as the owner or operator of the official social media accounts of an artist’s fan club; (vi) shall not publish, or hire others to publish, information that could incite fans to attack each other; and (vii) shall not arrange managed artists to perform in advertisements with illegal content.

As advised by our PRC Legal Advisor, the Notices do not have any retrospective effect and we had complied with each of the Notices that are currently in effect in all material aspects since they

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became effective and up to the Latest Practicable Date. For details, see “Business—Recent Regulatory Development.” In addition, during the Track Record Period and up to the Latest Practicable Date, we, and to the best knowledge and belief of our Directors after making all reasonable inquiries, our managed artists and their related entities had not been the subject of any review, inquiry, or investigation by any PRC regulatory authority pursuant to any of the Notices that are currently in effect.

Regulations relating to restriction of wages (the “Maximum Wage Order”)

On February 8, 2022, the NRTA issued the Notice of the NRTA on Printing and Distributing *the 14th Five-year Plan for the Development of Chinese TV Series* (《關於印發<“十四五”中國電視劇發展規劃>的通知》), which reiterates the requirement in the “Opinions on the Allocation of Production Costs of TV Series and Web Series” (《關於電視劇網絡劇製作成本配置比例的意見》) issued by the NRTA in September 2017, which requires media platforms and content production companies to strictly enforce the requirement on the allocation of production cost such that the total remuneration of all actors and actresses for each program shall not exceed 40% of the total production cost, and the remuneration of the major actors and actresses shall not exceed 70% of the total remuneration of the actors and actresses.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject of any review, inquiry, or investigation by any PRC regulatory authority pursuant to the Maximum Wage Order. As advised by our PRC Legal Advisor, content production companies and broadcasting platforms of web movies, drama series and variety programs shall submit reports disclosing the payments to all actors and principal actors to the competent authorities for review before they can obtain the necessary license to distribute such content. Most of the works in which our managed artists performed during the Track Record Period had been distributed or had obtained the license for distribution. We have obtained confirmations from the respective content production companies and media platforms for some undistributed works which represent a majority of the undistributed works measured by the contract amount. For the remaining undistributed works, the remuneration our managed artists received is comparable to those in works of similar type and scale. All of our managed artists as of the Latest Practicable Date who performed in works subject to the Maximum Wage Order have confirmed that they and their related entities (if any) had complied with the Maximum Wage Order. Our PRC Legal Advisor is of the view that, based on the above and public searches conducted by it, we and our managed artists and their related entities had complied with the Maximum Wage Order in all material aspects during the Track Record Period.

Regulations relating to taxation of culture and entertainment industry (collectively, the “Tax Notices”)

On October 2, 2018, the State Administration of Taxation issued the Notice on Further Regulating the Taxation Order of 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》), in response to issues such as tax evasion by high-income practitioners in the film and television industry, the tax authorities has further standardized the order of tax collection and management in the film and television industry.

On September 18, 2021, the State Taxation Administration issued the Notice on Strengthening the Taxation Management of Employees in the Entertainment Field (《關於加強文娛領域從業人員稅收管理的通知》), pursuant to which the tax department shall (i) further strengthen the daily tax

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management of employees in the field of culture and entertainment, and guide the individual studios and enterprises set up by artists to establish accounts and systems in accordance with laws and regulations; (ii) focus on strengthening the tax management of artists and content production companies, urging them to fulfill obligations of tax withholding, paying personal income tax, providing relevant information, and cooperating with the tax authorities to implement relevant regulation; and (iii) strictly prohibit tax evasion and other tax-related violations.

We had not received any rectification requirements or been punished under the Tax Notices and all other relevant regulations and laws during the Track Record Period and up to the Latest Practicable Date. Specifically, during the Track Record Period and up to the Latest Practicable Date, neither we, nor, to the best knowledge and belief of our Directors after making all reasonable inquiries, any of our managed artists and their related entities, had entered into any “yin-yang contract” with any media platforms or content production companies with respect to movies, drama series or variety programs in which our managed artists performed. Nor had we entered into any “yin-yang contract” with respect to the movie we produced, through Horgos Yuehua, during the Track Record Period.

In October 2018, the SAT issued a public notice, requesting local tax authorities to require content production companies, artist management companies, celebrity artists and their related entities to conduct self-examinations on their tax filings since 2016, and report to the local tax authorities by the end of 2018. Pursuant to such requirements of tax authorities, Beijing Yuehua, Tianjin Yuehua, Tibet Yuehua and Horgos Yuehua (each an “Entity” and together the “Entities”) each conducted a tax compliance self-examination in 2018 for their respective tax filings for the period starting from 2016.

After the completion of tax compliance self-examination in 2018, each of the Entities submitted a self-examination report in 2018 to the local tax authority. We paid an aggregate amount of approximately RMB2.3 million additional tax and an aggregate amount of approximately RMB0.5 million surcharges for overdue tax payments by December 2018. We made the additional tax payments and surcharges for each of the Entities without being subject to any legal or administrative penalties from their respective local tax authorities. Also, in May 2022, we obtained a written confirmation for each Entity from the respective competent tax authority, confirming that the Entity did not have any outstanding tax payments on the date the written confirmation was made. For details, see “Business—Recent Regulatory Development—Regulations relating to the taxation of culture and entertainment industry.”

Regulations relating to anti-trust control (the “Decision”)

On July 24, 2021, State Administration for Market Regulation issued the Decision on Certain Major Digital Streaming Platform (《市場監管總局作出責令解除網絡音樂獨家版權等處罰》) to relinquish exclusive deals held with its suppliers, which encourages an open, fair and healthy industry environment. Pursuant to the Decision, music streaming platforms shall not sign exclusive copyright agreements except in a limited number of circumstances. As of the Latest Practicable Date, we did not have any exclusive music licensing contracts with music streaming platforms that were in effect. As advised by our PRC Legal Advisor, we had complied with the Decision since it became effective and up to the Latest Practicable Date.

Document relating to entertainment content service contracts

On May 7, 2022, China Federation of Radio and Television Association (中國廣播電視社會組織聯合會) and China Netcasting Services Association (中國網絡視聽節目服務協會) together issued the

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Template Entertainment Content Service Contract (Trial) (《演員聘用合同示範文本（試行）》) (the “Template Contract”). The Template Contract provides standard clauses, including (i) artists must enter into entertainment content service contracts on their own behalf; (ii) the remuneration for artists shall be pre-tax and may not be paid in cash; (iii) the allocation between artists and their respective artist management companies shall be set out in the entertainment content service contracts; (iv) parties to entertainment content service contracts shall not disguise remuneration in other forms; (v) artists shall not commit any harmful act that is illegal, immoral or would otherwise hinder the preparation, production or distribution of the entertainment content.

As advised by our PRC Legal Advisor, the Template Contract is issued by industry associations, which are self-regulatory organizations rather than qualified legislative agencies under PRC law, and therefore is not mandatory. Nevertheless, we can use the Template Contract as a reference in future contract negotiation.

Regulations relating to cybersecurity

On December 28, 2021, the MIIT, CRSC and nine other governmental authorities jointly promulgated the revised Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “Revised Cybersecurity Review Measures”), which came into effect on February 15, 2022. Pursuant to the Revised Cybersecurity Review Measures, the following circumstances shall be subject to cybersecurity review, (i) the purchase of network products and services by a critical information infrastructure operator (關鍵信息基礎設施運營者) (the “CIIO”), as defined in Regulations on the Security Protection of Critical Information Infrastructure (《關鍵資訊基礎設施安全保護條例》), which affects or may affect national security; (ii) the plan of listing abroad of network platform operator holding personal information of more than one million users; and (iii) any network products or services, or data processing activities that the competent authorities believe affect or may affect national security.

On November 14, 2021, the CAC promulgated the Draft Internet Data Security Regulations (《網絡資料安全管理條例（徵求意見稿）》) (the “Draft Regulations”), which requires data processors to apply for a cybersecurity review if they (i) carry out any merger, reorganization or separation of internet platform operators with a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) seek a listing abroad by data processors that handle personal information of more than one million persons; (iii) seek a listing in Hong Kong by data processors, which affects or may affect national security; or (iv) conduct other data processing activities that affect or may affect national security.

Our PRC Legal Advisor consulted, on behalf of us, with China Cybersecurity Review Technology and Certification Center (“CCRC”), which is delegated by the CAC for public inquiries relating to the cybersecurity review under the Revised Cybersecurity Review Measures. During the consultation, CCRC informed the PRC Legal Advisor that listing in Hong Kong will not be deemed as listing abroad under the Revised Cybersecurity Review Measures. Our PRC Legal Advisor is of view that CCRC is the competent authority for such inquiry based on the delegation of the CAC. Furthermore, as of the Latest Practical Date, we did not operate any network platform or provide any network product or service.

As advised by our PRC Legal Advisor, our Directors are of the view that (i) as of the date of this prospectus, we are not a “network platform operator processing more than one million users’ personal information” under the Revised Cybersecurity Review Measures; (ii) we would be able to

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comply with the Revised Cybersecurity Review Measures and the Draft Regulations in all material aspects, assuming the Draft Regulations are implemented in their current form; (iii) the possibility of our business operations or our proposed listing in Hong Kong being deemed as affecting national security based on the factors set out in the Revised Cybersecurity Review Measures is remote; and (iv) the Revised Cybersecurity Review Measures and the Draft Regulations, assuming the Draft Regulations are implemented in their current form, would not have a material adverse impact on our business operations or our proposed listing in Hong Kong. For details, see “Business—Recent Regulatory Development” and “Regulations—Regulations Relating to Cybersecurity.”

Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors’ view above.

Based on the above, we are of the view, with the advice provided by our PRC Legal Advisor, that the recent regulatory changes have not and will not have any material adverse impact on our business operation or financial performance. For details, see “Business—Recent Regulatory Development,” “Regulations—Special Regulations Relating to Cultural Programs and Entertainment Artists” and “Regulations—Regulations Relating to Maximum Wage Order.” We have implemented robust internal control measures in reaction to the recent regulatory development. For details, please see “Business—Recent Regulatory Development” and “Business—Regulatory Compliance Risk Management.”

Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors’ view above.

OUR CONTROLLING SHAREHOLDERS

Upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Du will be indirectly interested in and control, through her controlled entities, an aggregate of 42.64% of the issued share capital of our Company. Mr. Sun is cohabiting with Ms. Du as a spouse. By virtue of such relationship, immediately after completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Du and Mr. Sun will be indirectly interested in and through their respective controlled entities control (being DING GUOHUA LIMITED, HuaDingGuo Limited, Xihaha International Holding Limited, QINGDINGDANG LIMITED, Dawei International Holding Limited and DingDangQing Limited) an aggregate of 45.46% of the issued share capital of our Company. Therefore, Ms. Du, Mr. Sun and their respective controlled entities will constitute a group of Controlling Shareholders. See “Relationship with the Controlling Shareholders” for further details.

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. On February 26, 2018, the board of Yuehua Limited resolved to 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 by way of a voluntary application for 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

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considered exploring the option of listing on the main board of the Shanghai Stock Exchange in 2018. In this connection, on March 3, 2018, Yuehua Limited filed the Pre-listing Tutoring with the Beijing Office of the CSRC. Subsequently, having taken into account our long-term business development plan and financing needs for our further expansion, our Directors considered the Stock Exchange to be a more appropriate listing venue that would provide us with brand recognition and a good platform to access the international equity market. Accordingly, on May 26, 2021, Yuehua Limited voluntarily terminated the Pre-listing Tutoring. For details, see “History, Reorganization and Corporate Structure—Listing on and Delisting from NEEQ and A Share Listing Attempt.”

PRE-IPO INVESTMENTS

We have attracted certain Pre-IPO Investors since our establishment to raise funds for the development of our business. For further details of the identity and background of the Pre-IPO Investors, see “History, Reorganization and Corporate Structure—Pre-IPO Investments—Information about the Pre-IPO Investors.”

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, which are extracted from the Accountant’s Report set out in Appendix I to this prospectus. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

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Key Components of Consolidated Statements of Comprehensive Income

The table below sets forth selected items of consolidated statements of comprehensive income for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
				(Unaudited)	
Revenue	631,436	922,042	1,290,449	341,290	352,899
Cost of revenue	(351,932)	(429,060)	(688,490)	(162,299)	(197,158)
Gross profit	279,504	492,982	601,959	178,991	155,741
Selling and marketing expenses	(23,359)	(30,823)	(34,523)	(7,788)	(9,660)
General and administrative expenses	(39,406)	(44,081)	(71,530)	(13,059)	(31,300)
Net impairment losses on financial assets	(1,374)	(8,954)	(3,296)	(128)	(2,216)
Other income	3,778	7,303	18,420	1,255	1,242
Other (losses)/gains, net	(39,996)	(18,522)	(5,889)	3,665	7,937
Operating profit	179,147	397,905	505,141	162,936	121,744
Finance income	1,222	3,693	5,215	663	1,214
Finance costs	(1,921)	(6,366)	(42,749)	(13,891)	(4,119)
Finance costs, net	(699)	(2,673)	(37,534)	(13,228)	(2,905)
Share of losses of investments accounted for using the equity method	(9,217)	(2,697)	(6,568)	(2,202)	(1,096)
Fair value changes of convertible preferred shares ...	—	—	—	—	(6,843)
Profit before income tax	169,231	392,535	461,039	147,506	110,900
Income tax expense	(49,898)	(100,589)	(125,707)	(36,773)	(30,380)
Profit for the year/period	119,333	291,946	335,332	110,733	80,520
Profit attributable to:					
Owners of our Company	119,023	291,370	336,684	110,406	80,301
Non-controlling interests	310	576	(1,352)	327	219
	<u>119,333</u>	<u>291,946</u>	<u>335,332</u>	<u>110,733</u>	<u>80,520</u>

Non-IFRS Measures

To supplement our consolidated financial statements which are presented under IFRS, we also use adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that the non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of certain items. We believe that such measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit as profit for the year/period adjusted for (i) equity settled share-based payments, (ii) fair value changes of convertible preferred shares, (iii) listing expenses and (iv) interest expenses on redemption liabilities. Equity settled share-based payments consist of non-

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cash expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan. Fair value changes of convertible preferred shares reflects the changes in fair value of the Series A-1, A-2 and A-3 convertible preferred shares issued by our Company to certain shareholders on January 28, 2022. For details, see “History, Reorganization and Corporate Structure—Reorganization.” Listing expenses mainly include professional fees paid in relation to the Listing and the Global Offering. Interest expenses on redemption liabilities mainly refer to unwinding of interests on redemption liabilities in relation to the preferential rights certain shareholders of Yuehua Limited are entitled to pursuant to a shareholders’ agreement dated November 16, 2020. For more details, see “History, Reorganization and Corporate Structure—Pre-IPO Investments.” We define adjusted net profit margin as adjusted net profit divided by revenue. The table below sets forth our adjusted net profit and adjusted net profit margin for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands, except for percentages)				
	(Unaudited)				
Profit for the year/period	119,333	291,946	335,332	110,733	80,520
Adjusted for:					
Equity settled share-based payments	—	—	2,068	—	29,119
Fair value changes of convertible preferred shares	—	—	—	—	6,843
Listing expenses	—	—	16,690	—	7,802
Interest expenses on redemption liabilities	—	3,909	40,481	13,112	3,406
Non-IFRS measures:					
Adjusted net profit	119,333	295,855	394,571	123,845	127,690
Adjusted net profit margin	18.9%	32.1%	30.6%	36.3%	36.2%

Revenue

The following table sets out a breakdown of our revenue by business line both in absolute terms and as a percentage of our revenue for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
	(RMB in thousands, except percentages)									
	(Unaudited)									
Artist management	530,228	84.0%	808,241	87.7%	1,174,842	91.0%	307,856	90.2%	316,690	89.8%
Music IP production and operation	74,734	11.8%	92,719	10.0%	77,738	6.1%	26,056	7.6%	26,239	7.4%
Pan-entertainment business	26,474	4.2%	21,082	2.3%	37,869	2.9%	7,378	2.2%	9,970	2.8%
Total	631,436	100.0%	922,042	100.0%	1,290,449	100.0%	341,290	100.0%	352,899	100.0%

Our revenue increased by 46.0% from RMB631.4 million in 2019 to RMB922.0 million in 2020, and further increased by 40.0% to RMB1,290.4 million in 2021. Our revenue increased by 3.4%

SUMMARY

from RMB341.3 million in the four months ended April 30, 2021 to RMB352.9 million in the four months ended April 30, 2022. The increase in our revenue was primarily due to the continuous expansion of our business.

Our revenue generated from artist management business increased from RMB530.2 million in 2019 to RMB808.2 million in 2020, and further increased to RMB1,174.8 million in 2021, primarily attributable to the growing number of contracts generating revenue from business activities and the increasing popularity, influence and commercial value of our managed artists. Our revenue generated from artist management business increased from RMB307.9 million in the four months ended April 30, 2021 to RMB316.7 million in the four months ended April 30, 2022, primarily because the average price of the contracts generating revenue from commercial activities in the four months ended April 30, 2022 was higher than that in the four months ended April 30, 2021, as a result of the increasing popularity, influence and commercial value of our managed artists.

Our revenue generated from music IP production and operation increased from RMB74.7 million in 2019 to RMB92.7 million in 2020, mainly attributable to an increase in sales of digital singles and albums in 2020 driven by increased popularity of our digital singles and albums. Our revenue generated from music IP production and operation decreased from RMB92.7 million in 2020 to RMB77.7 million in 2021. This is primarily attributable to a decrease in revenue generated from sales of digital singles and albums in relation the restrictive rules adopted by major music streaming platforms in China we cooperated with on the purchase number of digital albums and singles. Our revenue generated from music IP production and operation was RMB26.2 million in the four months ended April 30, 2022, which remained stable as compared to RMB26.1 million in the four months ended April 30, 2021.

Our revenue generated from pan-entertainment business decreased from RMB26.5 million in 2019 to RMB21.1 million in 2020, primarily because we generated revenue in 2019 from a movie of which we were the lead investor while no such revenue was generated in 2020. Our revenue generated from pan-entertainment business increased from RMB21.1 million in 2020 to RMB37.9 million in 2021, primarily due to revenue generated from the commercial development of the virtual artist group, A-SOUL, launched in the end of 2020. Our revenue generated from pan-entertainment business increased from RMB7.4 million in the four months ended April 30, 2021 to RMB10.0 million in the four months ended April 30, 2022, primarily due to an increase in revenue generated from the virtual artist group, A-SOUL.

We generated substantially all of our revenue in the PRC during the Track Record Period. The following table sets out a breakdown of our revenue by geographical region of our customers both in absolute terms and as a percentage of our revenue for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
	(RMB in thousands, except for percentages)									
	(Unaudited)									
China	621,734	98.5%	885,559	96.0%	1,245,437	96.5%	327,301	95.9%	328,291	93.0%
Overseas ⁽¹⁾	9,702	1.5%	36,483	4.0%	45,012	3.5%	13,989	4.1%	24,608	7.0%
Total	631,436	100.0%	922,042	100.0%	1,290,449	100.0%	341,290	100.0%	352,899	100.0%

Note:

(1) Including Korea, Hong Kong, Japan, Malaysia, Indonesia, Thailand, the United States, Mexico and Singapore.

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Cost of Revenue

The table below sets forth a breakdown of our cost of revenue by nature in absolute amounts and as percentages of our cost of revenue.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	% of cost of revenue	Amount	% of cost of revenue	Amount	% of cost of revenue	Amount	% of cost of revenue	Amount	% of cost of revenue
(RMB in thousands, except percentages) (Unaudited)										
Revenue sharing for artist management business	240,774	68.4%	318,653	74.3%	529,193	76.8%	132,896	81.9%	148,833	75.5%
Artist promotion costs . . .	34,091	9.7%	43,890	10.2%	73,436	10.7%	11,371	7.0%	9,764	5.0%
Production costs of music content	27,002	7.7%	41,608	9.7%	45,737	6.6%	7,682	4.7%	12,043	6.1%
Employee benefits expenses	7,643	2.2%	10,900	2.5%	20,607	3.0%	4,604	2.8%	6,863	3.5%
Amortization of intangible assets ⁽¹⁾ . . .	32,344	9.1%	1,821	0.4%	1,821	0.3%	606	0.4%	606	0.3%
Equity settled share- based payments ⁽²⁾	—	—	—	—	107	0.0%	—	—	15,385	7.8%
Others ⁽³⁾	10,078	2.9%	12,188	2.9%	17,589	2.6%	5,140	3.2%	3,664	1.8%
Total	351,932	100.0%	429,060	100.0%	688,490	100.0%	162,299	100.0%	197,158	100.0%

Notes:

- (1) Consisting primarily of (i) amortization of production expenses in relation to a movie we produced and (ii) amortization of music IP procurement expenses.
- (2) Consisting primarily of expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan.
- (3) Consisting primarily of (i) expenses for training our trainees, (ii) travel and car rental expenses for artists and assistants to participate in various business activities and (iii) costs for sale of artist-related merchandise on e-commerce platforms.

Our cost of revenue increased from RMB351.9 million in 2019 to RMB429.1 million in 2020, and further increased to RMB688.5 million in 2021, primarily attributable to (i) an increase in revenue sharing for artist management business, primarily due to an increase in our revenue generated from artist management business and the higher revenue sharing ratio of certain established artists in 2021; and (ii) an increase in artist promotion costs along with our growing artist management business. Our cost of revenue increased from RMB162.3 million in the four months ended April 30, 2021 to RMB197.2 million in the four months ended April 30, 2022, primarily attributable to an increase in revenue sharing for artist management business and equity settled share-based payments incurred in the four months ended April 30, 2022.

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Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)									
	(Unaudited)									
Artist management . . .	242,629	45.8%	424,487	52.5%	540,593	46.0%	155,502	50.5%	134,432	42.4%
Music IP production and operation	49,481	66.2%	56,580	61.0%	31,946	41.1%	18,314	70.3%	14,015	53.4%
Pan-entertainment business	(12,606)	(47.6%)	11,915	56.5%	29,420	77.7%	5,175	70.1%	7,294	73.2%
Total/Overall	279,504	44.3%	492,982	53.5%	601,959	46.6%	178,991	52.4%	155,741	44.1%

Our gross profit increased from RMB279.5 million in 2019 to RMB493.0 million in 2020, and further increased to RMB602.0 million in 2021, primarily due to an increase in gross profit for artist management. Our gross profit margin increased from 44.3% in 2019 to 53.5% in 2020, but decreased to 46.6% in 2021. Our gross profit decreased from RMB179.0 million in the four months ended April 30, 2021 to RMB155.7 million in the four months ended April 30, 2022, primarily due to a decrease in gross profit for artist management. Our gross profit margin decreased from 52.4% in the four months ended April 30, 2021 to 44.1% in the four months ended April 30, 2022.

Our gross profit for artist management increased from RMB242.6 million in 2019 to RMB424.5 million in 2020, and further increased to RMB540.6 million in 2021. The gross profit margin for our artist management business increased from 45.8% in 2019 to 52.5% in 2020, primarily due to the increase in our revenue generated from artist management business which outpaced the increase in cost of revenue for artist management business. The gross profit margin for our artist management decreased from 52.5% in 2020 to 46.0% in 2021, primarily because certain established artists enjoyed a higher revenue sharing ratio in 2021 pursuant to their contracts with us. Our gross profit for artist management decreased from RMB155.5 million in the four months ended April 30, 2021 to RMB134.4 million in the four months ended April 30, 2022. The gross profit margin for artist management decreased from 50.5% in the four months ended April 30, 2021 to 42.4% in the four months ended April 30, 2022, primarily because certain established artists enjoyed a higher revenue sharing ratio pursuant to their contracts with us and equity settled share-based payments incurred in the four months ended April 30, 2022.

Our gross profit for our music IP production and operation increased from RMB49.5 million in 2019 to RMB56.6 million in 2020, but decreased to RMB31.9 million in 2021. The gross profit margin for our music IP production and operation business decreased from 66.2% in 2019 to 61.0% in 2020, primarily due to an increase in revenue generated from musical works produced by Yuehua Korea, which recorded relatively lower gross profit margin as compared to the gross profit margin from musical works produced in China, as music production cost in Korea is generally higher than that in China. The gross profit margin for our music IP production and operation business further decreased from 61.0% in 2020 to 41.1% in 2021, primarily due to a decrease in revenue generated from music IP production and operation. Our gross profit for music IP production and operation decreased from

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RMB18.3 million in the four months ended April 30, 2021 to RMB14.0 million in the four months ended April 30, 2022. The gross profit margin for music IP production and operation decreased from 70.3% in the four months ended April 30, 2021 to 53.4% in the four months ended April 30, 2022, primarily due to an increase in the cost we incurred in production of musical works while revenue generated from music IP production and operation remained stable.

We incurred a gross loss of RMB12.6 million in 2019 for the pan-entertainment business, primarily attributable to a movie distributed in 2019 of which we were the lead investor, revenue from which could not sufficiently cover the cost. We recognized a gross profit of RMB11.9 million for the pan-entertainment business in 2020, representing a gross profit margin of 56.5%, primarily because (i) we no longer participated as the lead investor in drama series and movie production, as part of our strategic decision to focus more on artist management and music IP production and operation businesses, and (ii) we generated more revenue from sub-licensing the program format of a variety program in 2020. Our gross profit for pan-entertainment business increased significantly from RMB11.9 million in 2020 to RMB29.4 million in 2021. The gross profit margin for our pan-entertainment business increased from 56.5% in 2020 to 77.7% in 2021, primarily because we started to generate revenue from the commercial development of the virtual artist group, A-SOUL, launched in the end of 2020, which has a relatively higher gross profit margin. Our gross profit for pan-entertainment business increased from RMB5.2 million in the four months ended April 30, 2021 to RMB7.3 million in the four months ended April 30, 2022. The gross profit margin for our pan-entertainment business increased from 70.1% in the four months ended April 30, 2021 to 73.2% in the four months ended April 30, 2022, primarily due to an increase in revenue generated from virtual artists, which has a relatively higher gross profit margin as our cost for virtual artists was relatively low, leading to an overall higher gross profit margin.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets are primarily related to the credit risk of our trade receivables and other receivables. In 2019, 2020 and 2021 and four months ended April 30, 2021 and 2022, our net impairment losses on financial assets amounted to RMB1.4 million, RMB9.0 million, RMB3.3 million, RMB0.1 million and RMB2.2 million, respectively.

Other Income

Our other income consists of (i) government subsidies, (ii) tax credit of input tax additional deduction and (iii) rental income from investment properties. The government subsidies are non-recurring in nature and are mainly related to the rewards granted by China-Singapore Tianjin Eco-City Administrative Committee for tax contribution from our Group to the local economic development in Tianjin Eco-City. We are entitled to such subsidies every year during the period from September 1, 2016 to December 31, 2027, subject to the satisfaction of certain conditions set forth in our agreement with China-Singapore Tianjin Eco-City Administrative Committee. The tax credit of input tax additional deduction is a kind of exemptions on value-added tax granted by PRC government authorities as tax benefits applicable to certain subsidiaries of us. The rental income from investment properties is generated from rents we collect from leases of our office building in Korea which we purchased in September 2019. In 2019, 2020 and 2021 and four months ended April 30, 2021 and 2022, our other income was RMB3.8 million, RMB7.3 million, RMB18.4 million, RMB1.3 million and RMB1.2 million, respectively.

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Other Gains or Losses, Net

Our other gains or losses primarily comprise (i) fair value losses on movies, drama series and variety programs, (ii) fair value gains from wealth management products, (iii) gain on deemed disposal of an associate in relation to the financing activities of an associate, (iv) gains on disposal of associates in relation to sale of our equity interest in associates, (v) net exchange gains or losses, and (vi) fair value gains from a listed equity security. Our net other losses were RMB40.0 million, RMB18.5 million and RMB5.9 million in 2019, 2020 and 2021 respectively. Our net other gains were RMB3.7 million and RMB7.9 million in the four months ended April 30, 2021 and 2022, respectively.

Profit for the Year or Period

Our profit for the year increased significantly from RMB119.3 million in 2019 to RMB291.9 million in 2020, primarily due to: (i) the increase in gross profit from RMB279.5 million in 2019 to RMB493.0 million in 2020 due to increase in gross profit from artists management and music IP production and operation business; and (ii) decrease in net other losses from RMB40.0 million in 2019 to RMB18.5 million in 2020. Such increase was partially offset by: (i) increase in selling and marketing expenses from RMB23.4 million in 2019 to RMB30.8 million in 2020; and (ii) increase in general and administrative expenses from RMB39.4 million in 2019 to RMB44.1 million in 2020.

Our profit for the year increased from RMB291.9 million in 2020 to RMB335.3 million in 2021, primarily due to: (i) the increase in gross profit from RMB493.0 million in 2020 to RMB602.0 million in 2021 due to increase in gross profit from artists management business; and (ii) decrease in net other losses from RMB18.5 million in 2020 to RMB5.9 million in 2021. Such increase was partially offset by: (i) the increase in selling and marketing expenses from RMB30.8 million in 2020 to RMB34.5 million in 2021; (ii) increase in general and administrative expenses from RMB44.1 million in 2020 to RMB71.5 million in 2021 as a result of listing expenses incurred in 2021; and (iii) the increase in finance costs from RMB6.4 million in 2020 to RMB42.7 million in 2021, in relation to the redemption liabilities we recorded for shareholders' preferential rights pursuant to a shareholders' agreement dated November 16, 2020.

Our profit for the period decreased from RMB110.7 million in the four months ended April 30, 2021 to RMB80.5 million in the four months ended April 30, 2022, primarily due to a total of RMB29.1 million equity settled share-based payments incurred in the four months ended April 30, 2022.

For more details, see “Financial Information—Key Components of Consolidated Statements of Comprehensive Income” and “Financial Information—Period to Period Comparison of Results of Operations.”

SUMMARY

Selected Items from the Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicate.

	As of December 31,			As of
	2019	2020	2021	April 30, 2022
	(RMB in thousands)			
Assets				
Non-Current Assets				
Property, plant and equipment	105,741	106,448	103,645	100,933
Right-of-use assets	12,108	16,683	12,221	10,811
Investments properties	16,292	15,993	14,112	13,653
Intangible assets	9,495	7,669	5,843	5,339
Investments accounted for using the equity method	43,014	46,081	39,076	10,744
Financial assets at fair value through profit or loss	—	800	2,800	40,104
Prepayments and other receivables	2,446	3,694	2,158	1,997
Deferred income tax assets	1,192	2,842	3,103	3,686
Total non-current assets	190,288	200,210	182,958	187,267
Current assets				
Inventories	2,096	1,108	1,132	1,130
Trade receivables	54,332	80,981	106,833	128,255
Prepayments and other receivables	17,816	26,242	48,730	27,925
Amounts due from shareholders	—	—	344,600	—
Financial assets at fair value through profit or loss	79,986	214,713	448,085	289,610
Cash and cash equivalents	616,662	651,924	546,559	519,892
Total current assets	770,892	974,968	1,495,939	966,812
Total Assets	961,180	1,175,178	1,678,897	1,154,079
LIABILITIES				
Non-current liabilities				
Borrowings	72,381	71,964	—	—
Lease liabilities	5,176	6,542	5,066	4,288
Redemption liabilities	—	570,995	488,202	—
Financial liabilities at fair value through profit or loss	—	—	—	2,092,844
Contract liabilities	31,569	50,899	52,851	32,204
Total non-current liabilities	109,126	700,400	546,119	2,129,336
Current liabilities				
Borrowings	—	—	64,322	62,500
Trade payables	163,733	156,591	213,483	127,289
Other payables and accruals	126,474	100,896	109,332	32,875
Redemption liabilities	—	—	123,274	—
Financial liabilities at fair value through profit or loss	—	—	—	348,463
Contract liabilities	71,666	151,342	187,234	130,250
Current income tax liabilities	30,373	75,094	110,432	93,822
Lease liabilities	4,777	4,314	5,143	5,774
Total current liabilities	397,023	488,237	813,220	800,973
Total liabilities	506,149	1,188,637	1,359,339	2,930,309
Net Current Assets	373,869	486,731	682,719	165,839

SUMMARY

	As of December 31,			As of
	2019	2020	2021	April 30,
	(RMB in thousands)			2022
EQUITY				
Share capital	—	—	—	50
Combined capital	110,046	110,046	110,046	—
Treasury shares	—	—	—	(4)
Reserves	84,321	(455,287)	(459,873)	(2,526,103)
Retained earnings	259,277	325,673	662,351	742,652
Equity attributable to equity owners of the Company	453,644	(19,568)	312,524	(1,783,405)
Non-controlling interests	1,387	6,109	7,034	7,175
Total equity/(deficit)	455,031	(13,459)	319,558	(1,776,230)

We had net liabilities, representing the equity holder’s deficit, of RMB13.5 million as of December 31, 2020, as compared to net assets of RMB455.0 million as of December 31, 2019, primarily due to a decrease in reserves of RMB539.6 million, mainly in relation to the redemption liabilities of RMB567.1 million we recorded for shareholders’ preferential rights pursuant to a shareholders’ agreement dated November 16, 2020. For details, see “History, Reorganization and Corporate Structure—Pre-IPO Investments.” The decrease was partially offset by an increase in retained earnings of RMB66.4 million, mainly as a result of the net effect of the profit for the year of RMB291.4 million we generated in 2020 and the dividends of RMB200.0 million paid to then shareholders of Yuehua Limited in 2020.

We reverted to a net asset position and had net assets of RMB319.6 million as of December 31, 2021, primarily due to an increase in retained earnings as a result of the profit for the year of RMB336.7 million we generated in 2021.

We had net liabilities of RMB1,776.2 million as of April 30, 2022, as compared to net assets of RMB319.6 million as of December 31, 2021, primarily due to a decrease in reserves as a result of (i) exchange of redemption liabilities with convertible preferred shares of RMB1,869.5 million in relation to the issuance of Series A-1, A-2 and A-3 convertible preferred shares by our Company to certain shareholders on January 28, 2022; and (ii) the dividends of RMB260.0 million declared to the ordinary shareholders of our Company, which was fully settled and paid in March 2022. The decrease was partially offset by an increase in retained earnings attributable to the profit for the period of RMB80.3 million we generated in the four months ended April 30, 2022.

For more details, see “Consolidated Statements of Changes in Equity” in the Accountant’s Report set out in Appendix I to this prospectus.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss comprise our investments in wealth management products, movies, drama series and variety programs, unlisted equity securities at fair value and a listed equity security at fair value. Our financial assets at fair value through profit or loss increased substantially from RMB80.0 million as of December 31, 2019 to RMB215.5 million as of December 31, 2020, and further increased to RMB450.9 million as of December 31, 2021, primarily due to our increased investment in wealth management products. Our financial assets at fair value through profit or loss decreased from RMB450.9 million as of December 31, 2021 to RMB329.7 million as of April 30, 2022, primarily due to a decrease in our investments in wealth management products.

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We invested in substantial amounts of wealth management products during the Track Record Period. Our investments in wealth management products were mainly investment products issued by large commercial banks in the PRC with guaranteed principal and floating return rate of investment ranging from 1.49% to 4.65% during the Track Record Period. In 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, we recognized fair value gains from wealth management products of RMB12.1 million, RMB14.0 million, RMB20.9 million, RMB6.4 million and RMB3.6 million, respectively. In 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, the net realized gains of wealth management products amounted to RMB12.1 million, RMB12.6 million, RMB19.6 million, RMB4.3 million and RMB3.0 million, respectively, and the unrealized gains of wealth management products amounted to RMB2,000, RMB1.4 million, RMB1.3 million, RMB2.1 million and RMB0.6 million, respectively. Our results of operations may be affected by fair value changes for financial assets at fair value through profit or loss.

Our investments in movies, drama series and variety programs mainly represent our investments in certain movies, drama series and variety programs in which we hold a minority interest. Our investments in unlisted equity securities represent our minority interests in certain private companies in which we have no significant influence.

Redemption Liabilities

Pursuant to a shareholders' agreement signed on November 16, 2020, certain shareholders of Yuehua Limited were granted preferential rights to require our Group to repurchase the shares of Yuehua Limited held by them in full or in part when certain conditions are met in future dates. The purchase prices were either a fixed amount, or determined by making reference to the fair value of the equity shares of Yuehua Limited in future periods, or calculated using simple interest basis. As a result of such preferential rights, our Group redesignated the ordinary shares of Yuehua Limited held by these certain shareholders as redemption liabilities which were initially recognized at the present value of the estimated future cash outflows under the redemption arrangement. For more details about the preferential rights, see "History, Reorganization and Corporate Structure—Pre-IPO Investments."

Our redemption liabilities increased by 7.1% from RMB571.0 million as of December 31, 2020 to RMB611.5 million as of December 31, 2021, primarily due to unwinding of interests in 2021. For more details about our redemption liabilities, see Note 32 to the Accountant's Report in Appendix I to this prospectus.

Financial Liabilities at Fair Value Through Profit or Loss

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 measured at fair value through profit or loss while the redemption liabilities were derecognized and reclassified into equity in the four months ended April 30, 2022. The convertible preferred shares will be re-designated from financial liabilities to equity as a result of automatic conversion into ordinary shares upon our Listing. As a result, we expect that, immediately after such conversion, we will be no longer in a net liabilities position.

For more details, see "Financial Information—Discussion of Selected Items from the Consolidated Statements of Financial Position."

SUMMARY

Summary of Consolidated Statements of Cash Flows

The table below sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Operating cash flows before changes in working capital	260,914	434,957	531,572	163,580	149,733
Changes in working capital	46,793	48,106	66,958	(15,206)	(208,851)
Income taxes paid	(53,736)	(57,518)	(90,630)	(38,228)	(47,573)
Net cash generated from/(used in) operating activities	253,971	425,545	507,900	110,146	(106,691)
Net cash generated from/(used in) investing activities	23,535	(161,184)	(258,702)	(397,740)	136,362
Net cash generated from/(used in) financing activities	36,934	(230,356)	(353,254)	(1,798)	(72,221)
Net increase/(decrease) in cash and cash equivalents	314,440	34,005	(104,056)	(289,392)	(42,550)
Cash and cash equivalents at the beginning of the year/period	303,076	616,662	651,924	651,924	546,559
Effect of exchange rate changes on cash and cash equivalents	(854)	1,257	(1,309)	(530)	15,883
Cash and cash equivalents at the end of the year/period	616,662	651,924	546,559	362,002	519,892

We recorded net operating cash inflows of RMB254.0 million, RMB425.5 million, RMB507.9 million in 2019, 2020 and 2021, respectively, and net operating cash outflow of RMB106.7 million in the four months ended April 30, 2022. This net cash outflow was primarily due to a combined effect of (i) a decrease in trade payables as a result of the settlement of revenue sharing with managed artists in the four months ended April 30, 2022, (ii) a decrease in contract liabilities as a result of the recognition of certain contract liabilities as revenue upon our performance of services to customers and a decrease in the number of contracts newly secured in the four months ended April 30, 2022 and (iii) an increase in trade receivables as a result of our growing business. For more details, see “Financial Information—Liquidity and Capital Resources—Cash Flows—Operating Activities.”

Investing Activities

Our net cash generated from investing activities was approximately RMB136.4 million in the four months ended April 30, 2022. We had such net cash inflow primarily because we disposed certain wealth management products and received repayments of loans to the two private media companies and Nice Future.

Our net cash used in investing activities was approximately RMB258.7 million in 2021. We had such net cash outflow primarily because the purchase amount of wealth management products was more than the amount of proceeds from disposals of wealth management products in 2021.

Our net cash used in investing activities was approximately RMB161.2 million in 2020. We had such net cash outflow primarily because the purchase amount of wealth management products was more than the amount of proceeds from disposals of wealth management products in 2020.

SUMMARY

Our net cash generated from investing activities was approximately RMB23.5 million in 2019. We had such net cash inflow primarily because the amount of proceeds from disposals of wealth management products was more than the purchase amount of wealth management products in 2019.

Financing Activities

Our net cash used in financing activities was approximately RMB72.2 million in the four months ended April 30, 2022. This net cash outflow was primarily due to the effect of reorganization in respect of the acquisition of a company comprising our Group and the dividends paid by our Company to our shareholders in March 2022.

Our net cash used in financing activities was approximately RMB353.3 million in 2021. This net cash outflow was primarily due to the effect of reorganization in respect of the acquisition of a company comprising our Group.

Our net cash used in financing activities was approximately RMB230.4 million in 2020. This net cash outflow was primarily due to the dividend paid by Yuehua Limited to its then shareholders in 2020.

Our net cash generated from financing activities was approximately RMB36.9 million in 2019. This net cash inflow was primarily due to proceeds from and repayment of borrowings.

For more details, see “Financial Information—Liquidity and Capital Resources—Cash Flows.”

Key Financial Ratios

The table below sets forth certain of our key financial ratios as of the dates or for the periods indicated.

	For the year ended or as of December 31,			For the four months ended or as of April 30,	
	2019	2020	2021	2021	2022
Gross profit margin	44.3%	53.5%	46.6%	52.4%	44.1%
Net profit margin	18.9%	31.7%	26.0%	32.4%	22.8%
Adjusted net profit margin (non-IFRS measure)	18.9%	32.1%	30.6%	36.3%	36.2%
Return on equity ⁽¹⁾	30.2%	N/A ⁽²⁾	N/A ⁽²⁾	N/A	N/A ⁽⁷⁾
Return on assets ⁽⁴⁾	14.0%	27.3%	23.5%	N/A	N/A ⁽⁷⁾
Current ratio ⁽⁵⁾	1.9	2.0	1.8	N/A	1.2
Gearing ratio ⁽⁶⁾	22.8%	N/A ⁽²⁾	214.7%	N/A	N/A ⁽³⁾

Notes:

- (1) Return on equity is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total equity of the same period and multiplied by 100%.
- (2) Return on equity is not applicable because we recorded a total deficit 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.
- (3) Gearing ratio is not applicable as of April 30, 2022 because we recorded a total deficit as of April 30, 2022, primarily due to the recognition of convertible preferred shares we issued on January 28, 2022 as financial liabilities at fair value through profit or loss.
- (4) Return on assets is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total assets of the same period, multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities as of the dates indicated.
- (6) Gearing ratio is calculated based on total debt divided by total equity as of the dates indicated and multiplied by 100%.
- (7) Ratios are not calculated for the four months ended April 30, 2022 because the numbers for the period is not comparable to the numbers for the year.

SUMMARY

For details, see “Financial Information—Period to Period Comparison of Results of Operations” and “Financial Information—Key Financial Ratios.”

IMPACT OF COVID-19

Since December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has materially and adversely affected global economy. In response to COVID-19 and its recent recurrence in the PRC and other regions we operate in, the governments have imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures. The lockdown and various social distancing initiatives adopted by the governments during the outbreak of COVID-19 have caused people to turn to online social and entertainment activities in lieu of physical gatherings, and have caused a decline in the business activities in China in general, which in turn had a negative impact on the entertainment industry, particularly during the lockdown in the first half of 2020.

We took a series of measures in response to the outbreak to protect our employees, including remote working arrangements and suspension of business trips. 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 our capacity and efficiency of 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 and/or our offices may have to be shut down for disinfection.

While the COVID-19 pandemic did not materially and 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 certain movies, drama series and variety programs in which our managed artists participated were delayed. Some of our customers postponed or canceled their offline promotion events, leading to a decreased demand for our managed artists’ in-person performance. Despite the above, 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. 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.

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. For example, from January 1, 2022 to the Latest Practicable Date, five secured projects (three for commercial activities and two for entertainment content services) with a total contract value of approximately RMB4.2 million, were canceled. During the same period, 28 secured projects (18 for commercial activities and ten for entertainment content services) were postponed, which resulted in delays in receiving payments. We received refund requests of approximately RMB1.6 million from customers due to the cancellation of two projects for commercial activities and one project for entertainment content services and had repaid approximately RMB0.8 million to certain customers from January 1, 2022 to the Latest Practicable Date. Other than the above, we had not received any refund request from any customer due to the cancellation or postponement of these projects as of the Latest Practicable Date. Despite the impact of the COVID-19 pandemic, our revenue increased from RMB341.3 million in the four months ended April 30, 2021 to RMB352.9 million in the four months ended April 30, 2022.

SUMMARY

The recent regional outbreaks of COVID-19 in China led to a relatively lower demand for the services provided by our managed artists, which has adversely impacted our ability to pursue new business opportunities for our managed artists. Due to the impact of the COVID-19 pandemic, 31 projects under negotiation (27 for commercial activities and four for entertainment content services) with an estimated total contract value of approximately RMB138.3 million were canceled from January 1, 2022 to the Latest Practicable Date, which caused a decrease in the number of contracts we newly secured in 2022.

Having considered the above, 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, and have difficulty in securing more new contracts for our managed artists to generate revenue.

In response to the recent resurgences of the COVID-19 pandemic, our Directors have adopted business contingency plans to reduce the negative impact on our business, results of operations and financial condition. We maintain close communications and negotiations with our customers to arrange online performance or to switch planned offline activities to online, such as social media marketing activities and livestream ecommerce, as alternative plans to certain existing contracts. Our dedicated artist operation team proactively explore new opportunities to cooperate with corporate customers, media platforms, content producers and advertising agencies and make efforts to secure more contracts for our managed artists. From January 1, 2022 to the Latest Practicable Date, we had successfully switched offline activities planned in seven secured projects for commercial activities with a total contract value of approximately RMB69 million to online activities for our managed artists after negotiation with relevant customers. During the same period, we cooperated with certain major music stream platforms and leading satellite TV networks in China and successfully arranged more than two online concerts for certain managed artists. We also plan to invest more in production of musical works for our managed artists to further develop our music IP production and operation business. From January 1, 2022 to the Latest Practicable Date, we had released nine digital singles and seven digital albums, comprising 49 songs in total, that we produced for our managed artists and a virtual artist group. In the rest of 2022, we plan to continue to produce and release three digital singles and 12 digital albums, comprising approximately 60 songs in total, for our managed artists and virtual artists.

We closely monitor the development of the COVID-19 pandemic. However, we cannot reasonably estimate the ultimate impact and duration of the COVID-19 pandemic, and the extent of its impact on our business, results of operations and financial condition as these depend on factors beyond our control. Such factors primarily include the continued spread or recurrence of infection, the implementation of effective preventative and containment measures, the development of effective medical solutions, and the extent to which governmental restrictions on travel, public gatherings and other activities remain in place or are augmented.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business operation had remained stable. However, we expect our profit for the year to decrease in the year ending December 31, 2022 compared to the year ended December 31, 2021, as we expect (i) a decrease in the revenue primarily due to the impact of the COVID-19 pandemic in China; (ii) an

SUMMARY

increase in share-based payment expenses based on the vesting terms and schedules of the relevant RSUs granted under our Share Incentive Plan; and (iii) an increase in listing expenses in connection with the Global Offering. For details about the impact of the COVID-19 pandemic, see “—Impact of COVID-19.”

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in financial and trading positions or prospects of our Group since April 30, 2022, being the date on which our latest audited consolidated financial statements were prepared, and there has been no event since April 30, 2022 which would materially affect the information in the Accountant’s Report set out in Appendix I to this prospectus.

GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 13,256,000 Offer Shares (subject to reallocation) in Hong Kong as described below in “Structure of the Global Offering—The Hong Kong Public Offering” in this prospectus; and
- (b) the International Offering of initially 119,304,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering, or, if qualified to do so, apply for or indicate an interest in International Offering Shares under the International Offering, but may not do both.

OFFERING STATISTICS

The statistics below are based on the assumption that 132,560,000 Offer Shares are issued under the Global Offering:

	Based on the minimum Offer Price of HK\$6.80 per Offer Share	Based on the maximum Offer Price of HK\$8.50 per Offer Share
Market capitalization of our Shares ⁽¹⁾	HK\$6.0 billion	HK\$7.5 billion
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾⁽³⁾	HK\$1.87	HK\$2.13

Notes:

- (1) The calculation of market capitalization is based on 882,560,000 Shares will be in issue immediately following the completion of the Global Offering assuming the Over-allotment Option is not exercised.
- (2) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the section headed “Financial Information—Unaudited Pro Forma Adjusted Net Tangible Assets” and on the basis that 845,060,000 Shares were in issue, assuming that the Global Offering and Capitalization Issue have been completed on April 30, 2022 but takes no account of (i) the 37,500,000 Shares (after taking into account of the effect of the Capitalization Issue) issued pursuant to the Share Incentive Plan that are subject to vesting conditions; and (ii) any Shares which may be issued or repurchased by our Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed “Share Capital” in this prospectus.
- (3) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to April 30, 2022, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors for issue or allotment of Shares as described in “Share Capital.” For details, see “Appendix II—A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets.”

SUMMARY

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB97.7 million, representing 11.2% of the gross proceeds from the Global Offering, comprising (i) underwriting-related expenses of RMB35.5 million, including commissions and fees; and (ii) non-underwriting-related expenses of RMB62.2 million, including (a) fees and expenses of legal advisors and the Reporting Accountant of RMB32.5 million; and (b) other fees and expenses of RMB29.7 million. During the Track Record Period, we incurred listing expenses of RMB30.6 million, among which RMB24.5 million was charged to the consolidated statements of profit or loss in 2021 and the four months ended April 30, 2022 as administrative expenses and approximately RMB6.1 million (listing expenses directly attributable to the issue of Shares) will be deducted from equity upon successful Listing. We expect to incur additional listing expenses of approximately RMB67.1 million, of which approximately RMB30.6 million is expected to be recognized as administrative expenses and approximately RMB36.5 million (listing expenses directly attributable to the issue of Shares) is expected to be recognized as a deduction in equity directly upon the Listing.

DIVIDENDS

Prior to the Track Record Period, our subsidiary, Yuehua Limited, declared dividends to its then shareholders, among which approximately RMB1.9 million were paid in 2020 and the others were fully paid before the Track Record Period. In October 2020, Yuehua Limited declared dividends in an aggregate amount of RMB200.0 million to its then shareholders pursuant to the laws of PRC, which were fully paid by bank transfer in 2020. In March 2022, our Company declared dividends to both holders of ordinary shares and holders of convertible preferred shares in an aggregate amount of approximately US\$63.0 million (equivalent to approximately RMB399.3 million), which were fully settled and paid in March 2022. Such dividends were approved by our Board and Shareholders. As advised by our legal advisor on Cayman Islands law, under the Companies Act and subject to our Articles of Association, a position of net liabilities does not necessarily restrict us to pay dividends to our Shareholders as dividends may be paid out of our share premium account, provided that immediately following the date on which the dividend is paid, our company shall be able to pay its debts as they fall due in the ordinary course of business. We believe that we would be able to pay the debts as they fall due in the ordinary course of business immediately after the payment of dividends declared in March 2022, considering: (i) the declaration of dividends, among others, was approved by our Board of Directors who had reviewed the management accounts and obtained sufficient information about our Company to make informed decisions; (ii) the convertible preferred shares issued in January 2022 will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares upon our Listing and we expect to be no longer in a net liabilities position immediately after such conversion; and (iii) we would have sufficient cash and cash equivalents to repay or settle our debts other than the financial liabilities at fair value through profit or loss consisting of the convertible preferred shares when they become due in the ordinary course of business. We believe that the distribution of these dividends will not have a material impact on the sufficiency of our working capital after the Listing and we will be able to maintain sufficient funds to meet our working capital requirements and debt obligations. Our historical declarations of dividends may not reflect our future declarations of dividends.

SUMMARY

APPLICATION FOR THE OFFER SHARES

The application for the Offer Shares will commence on Wednesday, August 24, 2022 through Wednesday, August 31, 2022, being longer than normal market practice of three and a half days. The application monies (including the brokerage fees, SFC transaction levy, FRC transaction levy and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, September 6, 2022. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, September 7, 2022.

According to our Articles of Association and applicable laws and regulations, the decision on whether to pay dividends will be made at the discretion of our Directors and will depend primarily upon the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. We will evaluate our dividend policy in light of our financial condition and the prevailing economic environment. For more details, see “Financial Information—Dividends.”

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$900.5 million, after deducting estimated underwriting commissions, fees and expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK\$7.65 per Share, being the mid-point of the indicative Offer Price range of HK\$6.80 to HK\$8.50 per Share, and assuming the Over-allotment Option is not exercised. We currently intend to apply the net proceeds from the Global Offering for the following purposes:

- Approximately 40.0%, or HK\$360.2 million, will be invested in our artist operation. We intend to improve our artist training and management capabilities by procuring better training facilities and strengthening our faculty for our trainees and managed artists. We also intend to expand the scale of our artist promotion;
- Approximately 20.0%, or HK\$180.1 million, will be used for expanding our music IP library;
- Approximately 15.0%, or HK\$135.1 million, will be used to invest in and acquire business or assets which are in line with our growth strategies or can create synergy for our business;
- Approximately 10.0%, or HK\$90.0 million, will be used for expanding our pan-entertainment business;
- Approximately 5.0%, or HK\$45.0 million, will be used for our overseas expansion; and
- Approximately 10.0%, or HK\$90.1 million, will be used for working capital and general corporate purposes to support our business operation and growth.

For further details, see “Future Plans and Use of Proceeds.”

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“Accountant’s Report”	the accountant’s report of our Company, the text of which is set out in Appendix I to this prospectus
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the articles of association of our Company adopted on August 19, 2022 which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in “Appendix IV—Summary of the Constitution of the Company and Cayman Islands Company Law” to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 634,210,000 Shares upon the capitalization of the relevant sum standing to the credit of the share premium account of our Company, details of which are set out in “Appendix V—Statutory and General Information—A. Further Information about our Group—3. Resolutions of our Shareholders” in this prospectus
“Cayman Companies Act” or “Companies Act”	The Companies Act (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	Central Clearing and Settlement System

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China,” “mainland China” or the “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to “China,” “mainland China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” or “the Company”	YH Entertainment Group (乐华娱乐集团), an exempted company incorporated in Cayman Islands with limited liability on June 10, 2021
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Ms. DU Hua, Mr. SUN Yiding, DING GUOHUA LIMITED, HuaDingGuo Limited, Xihaha International Holding Limited, QINGDINGDANG LIMITED, Dawei International Holding Limited and DingDangQing Limited
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EIT”	Enterprise Income Tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was adopted by the National People’s Congress on March 16, 2007 and became effective on January 1, 2008, and amended on February 24, 2017 and December 29, 2018
“Exchange Participant”	has the meaning ascribed to it under the Listing Rules
“Extreme Conditions”	has the meaning ascribed to it under the Listing Rules
“Foreign Investment Law”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》), adopted by the NPC on March 15, 2019, and became effective on January 1, 2020
“FRC”	the Financial Reporting Council of Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant commissioned by us
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider designated by our Company
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hainan Yuehua”	Hainan YueHua Culture Communication Co., Ltd. (海南樂華文化傳播有限公司), a limited liability company established in the PRC on April 30, 2021 and a wholly-owned subsidiary of Yuehua Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 13,256,000 Offer Shares initially being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) on the terms and subject to the conditions described in this prospectus and the GREEN Application Form, as further described in “Structure of the Global Offering—The Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in “Underwriting—Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated August 23, 2022 relating to the Hong Kong Public Offering and entered into among, inter alia, our Company, the Controlling Shareholders, China Securities (International) Corporate Finance Company Limited, China Merchants Securities (HK) Co., Limited and the Hong Kong Underwriters

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“Horgos Yuehua”	Horgos YueHua Picture Limited (霍爾果斯樂華影業有限公司), a limited liability company established in the PRC on January 6, 2016 and owned as to 51% and 49% by Ms. Du and Mr. Sun, respectively, as of the Latest Practicable Date
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	party or parties that, to the best of our Directors’ knowledge, information and belief, is or are not a connected person(s) of our Company within the meaning of the Listing Rules
“International Offer Shares”	the 119,304,000 Offer Shares initially being offered for subscription under the International Offering together, where relevant, with any additional Shares that may be issued by our Company pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional placing of the International Offering Shares at the Offer Price in offshore transactions outside the United States in reliance on Regulation S or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Controlling Shareholders and the International Underwriters on or about the Price Determination Date, as further described in “Underwriting—Underwriting Arrangements and Expenses—The International Offering” in this prospectus
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors and parties involved in the Global Offering” in this prospectus
“Joint Global Coordinators”	the joint global coordinators as named in the section headed “Directors and parties involved in the Global Offering” in the prospectus

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“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors and parties involved in the Global Offering” in the prospectus
“Joint Sponsors”	China Securities (International) Corporate Finance Company Limited and China Merchants Securities (HK) Co., Limited
“Korea”	the Republic of Korea
“KRW”	Korean Republic won, the lawful currency of Korea
“Latest Practicable Date”	August 15, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“License for Production and Distribution of Radio or Television Programs”	the License for Production and Distribution of Radio or Television Programs (《廣播電視節目製作經營許可證》) issued by provincial counterpart of NRTA, permitting institutions to produce and distribute radio and television programs or engage in the activities of production and distribution of radio and television programs
“Listing”	the listing of our Shares on the Main Board
“Listing Date”	the date, expected to be on or about September 7, 2022, on which dealings in our Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on August 19, 2022 which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in “Appendix IV—Summary of the Constitution of the Company and Cayman Islands Company Law” to this prospectus
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)

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“Mr. Sun”	Mr. SUN Yiding (孫一丁), an executive Director of our Company, president of our Company and one of our Controlling Shareholders
“Ms. Du”	Ms. DU Hua (杜華), an executive Director, chairlady of the Board, chief executive officer of our Company and one of our Controlling Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	the National Equities Exchange and Quotations, a PRC over-the-counter system for trading shares of Non-listed Public Companies
“Negative List”	Special Management Measures for Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施(負面清單)》(2021年版))
“Nice Future”	Nice Future (Beijing) Culture Communication Co., Ltd. (尼斯未來(北京)文化傳播有限公司)
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NRTA”	the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局)
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) of not more than HK\$8.50 and expected to be not less than HK\$6.80 at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in “Structure of the Global Offering—Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the

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	International Underwriters) for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 19,884,000 additional Shares (representing in aggregate 15.0% of the Offer Shares initially being offered under the Global Offering) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in “Underwriting—Underwriting Arrangements and Expenses—The International Offering—Over-allotment Option and Stabilization” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Legal Advisor”	Commerce & Finance Law Offices, our legal advisor as to PRC laws
“Preferred Shares”	Series A-1 Preferred Shares, Series A-2 Preferred Shares and Series A-3 Preferred Shares, which would be converted into ordinary Shares upon completion of the Global Offering
“Pre-IPO Investment(s)”	the pre-IPO investments in our Group undertaken by the Pre-IPO Investors, details of which are set out in “History, Reorganization and Corporate Structure” in this prospectus
“Pre-IPO Investor(s)”	the investors of the Pre-IPO Investments, details of which are described in “History, Reorganization and Corporate Structure—Pre-IPO Investments—Information about the Pre-IPO Investors” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about August 31, 2022 and in any event no later than September 2, 2022 on which the Offer Price is to be fixed for the purposes of the Global Offering
“Principal Share Registrar”	Maples Fund Services (Cayman) Limited
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB”	the lawful currency of the PRC

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“Reorganization”	the corporate reorganization of our Group in preparation for the Listing, particulars of which are set out in “History, Reorganization and Corporate Structure” in this prospectus
“RSU(s)”	a restricted share unit award to be granted to a participant under the Share Incentive Plan
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has been merged into SAMR
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國市場監督管理總局)
“SAPPRFT”	the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣播電總局), predecessor of NRTA
“SARFT”	the State Administration of Radio, Film and Television of the PRC (中華人民共和國國家廣播電影電視總局), predecessor of SAPPFT
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Series A-1 Preferred Shares”	the series A-1 preferred shares of our Company with a par value of US\$0.0001 each
“Series A-2 Preferred Shares”	the series A-2 preferred shares of our Company with a par value of US\$0.0001 each
“Series A-3 Preferred Shares”	the series A-3 preferred shares of our Company with a par value of US\$0.0001 each
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of our Share(s)

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“Share Incentive Plan”	the share incentive plan that our Company adopted on December 10, 2021
“Stabilizing Manager”	China Securities (International) Corporate Finance Company Limited, acting as the stabilizing manager of the Global Offering
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between China Securities (International) Corporate Finance Company Limited and DING GUOHUA LIMITED on or around August 31, 2022
“Stock Exchange” or “Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tianjin Chufa”	Tianjin ChuFa Culture Technology Co., Ltd. (天津觸發文化科技有限公司) (formerly known as Shanghai Chufa Culture Technology Co., Ltd. (上海觸發文化科技有限公司) and Shanghai Chufa Culture Communication Co., Ltd. (上海觸發文化傳播有限公司)), a limited company established in the PRC on April 17, 2014 and a wholly-owned subsidiary of Yuehua Limited
“Tianjin Yihua”	Tianjin Yihua Management Consulting Co., Ltd. (天津壹華管理諮詢有限責任公司), a limited company established in the PRC on February 22, 2019 and a wholly-owned subsidiary of Yuehua Limited
“Tianjin Yuedong”	Tianjin Yuedong Dream Culture Communication Co., Ltd. (天津樂動夢想文化傳播有限公司), a limited company established in the PRC on December 23, 2020 and an indirectly non-wholly owned subsidiary of Yuehua Limited
“Tianjin Yuehua”	Tianjin Yuehua Music and Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司), a limited liability company established in the PRC on August 1, 2011 and a wholly-owned subsidiary of Yuehua Limited

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“Tibet Yuehua”	Tibet Yuehua Culture Communication Co., Ltd. (西藏樂華文化傳播有限公司), a limited company established in the PRC on December 25, 2011 and a wholly-owned subsidiary of Yuehua Limited
“Track Record Period”	the period comprising the three financial years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2022
“YUE HUA HONG KONG”	YUE HUA HONG KONG ENTERTAINMENT COMPANY LIMITED (樂華娛樂香港有限公司), a limited company established in Hong Kong on January 13, 2015 and a wholly-owned subsidiary of Yuehua Limited
“Yuehua Investment” or “WFOE”	Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司), a limited liability company established in the PRC on September 24, 2021 and an indirect wholly-owned subsidiary of our Company in the PRC
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Yuehua BVI”	YH Entertainment Group (BVI) Limited, a limited liability company incorporated in the BVI on June 22, 2021 and a wholly-owned subsidiary of our Company in BVI

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“Yuehua HK”	YH Entertainment Group (HK) Limited, a limited company established in Hong Kong on July 6, 2021 and an indirect wholly-owned subsidiary of our Company in Hong Kong
“Yuehua Korea”	Yuehua Entertainment Korea Co., Ltd., a company incorporated in the Republic of Korea on August 28, 2014 and a non-wholly owned subsidiary of Yuehua Limited
“Yuehua Limited”	YueHua Entertainment Co., Ltd. (北京樂華圓娛文化傳播有限公司), a limited liability company established in the PRC on July 3, 2009 (previously a joint stock company incorporated in the PRC with limited liability quoted on National Equities Exchange and Quotations (全國中小企業股份轉讓系統)) (quotation code: 833564) and a non-wholly owned subsidiary of Yuehua Investment

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this prospectus is included for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“Anhui Satellite TV”	Anhui Satellite TV (安徽衛視), a TV network broadcast from Hefei, Anhui Province
“artist’s related entity(ies)”	refers to an entity that is controlled by or otherwise related to a managed artist, which acted as a supplier to our Group during the Track Record Period
“Bilibili”	Bilibili (嗶哩嗶哩), one of the major Chinese video on demand over-the-top streaming platforms, based in Shanghai
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“debut”	refers to an artist’s first public performance through releasing of musical works, participation in variety programs or other forms of entertainment content
“(digital) album(s)”	refers to (digital) music album comprising two or more songs to be released, sold or downloaded and played
“(digital) single(s)”	refers to (digital) music album comprising only one song to be released, sold or downloaded and played
“Douyin”	Douyin (抖音), a leading social media short-form video app in China for creating and sharing short lip-sync, comedy, and talent videos
“Dragon Satellite TV”	Dragon Satellite TV (東方衛視), a TV network broadcast of Shanghai Media Group (上海廣播電視台及上海文化廣播影視集團有限公司) from Shanghai
“drama series”	refers to the content produced for broadcast via satellite and terrestrial TV channels or media platforms, which is usually released in episodes that follow a narrative, consisting of TV series and web series
“IP(s)”	refers to intellectual properties such as existing musical works, variety programs, movies, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new musical works, variety programs, drama series or movies

GLOSSARY OF TECHNICAL TERMS

“iQIYI”	iQIYI (愛奇藝), a leading online video platform based in Beijing
“Jiangsu Satellite TV”	Jiangsu Satellite TV (江蘇衛視), a TV network broadcast from Nanjing, Jiangsu Province
“Kuaishou”	Kuaishou (快手), a short video social platform in China for all users to record and share their lives, headquartered in Beijing
“managed artist(s)”	refer(s) to artists who are under artist management contracts with our Company
“master tape”	the final tape of a program that is delivered to the media platform for broadcast
“media platform”	refers to online video platforms, short video platforms, social media platforms and satellite TV networks
“music video(s)” or “MV(s)”	refers to music videos, which integrate music songs or music albums with imagery that are produced for promotional or musical artistic purposes
“neighboring right”	an intellectual property right distinguished from a moral right belonging to an author or artist as the work’s creator, including but not limited to the right of a performer, a publisher, a broadcaster, and a producer
“NetEase Cloud Music”	NetEase Cloud Music (網易雲音樂), a leading music streaming platform based in Hangzhou, Zhejiang Province
“pan-entertainment”	refers to multi-level creative products developed from intellectual property
“primetime”	refers to the block of time when audience viewership peaks for programming during a defined period of time. For PRC TV networks, primetime usually means the 19:00 to 23:00 time slot
“satellite TV networks”	refers to national free-to-air commercial satellite TV networks in China
“Sina Weibo” or “Weibo”	Sina Weibo (新浪微博), a Chinese microblogging (weibo) website and social media platform
“Tencent Music”	refers to the various music streaming platforms operated by Tencent Music Entertainment Group (騰訊音樂娛樂集團), a company that offers online music and music-centric social entertainment services

GLOSSARY OF TECHNICAL TERMS

“Tencent Video”	Tencent Video (騰訊視頻), a leading online video platform based in Shenzhen, Guangdong Province
“trainee(s)”	individual(s) who is/are undergoing artistic training and assessments before entering into an artist management agreement with us
“variety program”	a type of interactive audio-visual video content that can incorporate art forms such as musical and dance performance, sketch comedy and storytelling
“virtual artist”	an animated character that sings and dances, much like a real life artist
“Xiaohongshu”	Xiaohongshu (小紅書), a social media and e-commerce platform, where users can post, discover and share life experiences and product reviews
“Youku”	Youku (優酷), a leading online video platform in China based in Beijing

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goal,” “aim,” “aspire,” “objective,” “target,” “schedules,” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our future business development, financial condition and results of operations;
- our business strategies and plans to carry out these strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with our customers and other business partners;
- general economic, political and business conditions in the industries and markets in which we operate;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

RISK FACTORS

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

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

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.

RISK FACTORS

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 four months ended April 30, 2022, revenue generated from our artist management business was approximately RMB530.2 million, RMB808.2 million, RMB1,174.8 million and RMB316.7 million, respectively, which accounted for approximately 84.0%, 87.7%, 91.0% and 89.8% 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 four months ended April 30, 2022 accounted for 74.8%, 83.0%, 85.6% and 84.5% of our total revenue for the corresponding periods, respectively. The revenue attributable to our top one artist for 2019, 2020, 2021 and the four months ended April 30, 2022, accounted for 16.8%, 36.7%, 49.5% and 56.8% 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.

RISK FACTORS

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.

RISK FACTORS

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 four months ended April 30, 2022, revenue generated from our five largest customers amounted to RMB173.3 million, RMB245.2 million, RMB301.2 million and RMB72.1 million, respectively, accounting for approximately 27.4%, 26.5%, 23.4% and 20.4% 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—Recent Regulatory Development” in this prospectus.

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—Recent Regulatory Development” in this prospectus. 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 four months ended April 30, 2022, revenue generated from music IP production and operation was RMB74.7 million, RMB92.7 million, RMB77.7 million and RMB26.2 million, respectively, accounting for 11.8%, 10.0%, 6.1% and 7.4% 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 RMB62.0 million, respectively, accounting for 33.8%, 27.5%, 19.6% and 17.6% 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 proceeds, 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 proceeds from the Global Offering, see “Future Plans and Use of Proceeds.”

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 RMB120.6 million in 2019, 2020 and 2021 and the four months ended April 30, 2022, respectively, accounting for approximately 43.3%, 53.6%, 61.6% and 61.2% 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, the 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 Delta and 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.

In 2019, 2020 and 2021, 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 revenue increased by 3.4% from RMB341.3 million in the four months ended April 30, 2021 to RMB352.9 million in the four months ended April 30, 2022. 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. Our profit for the period decreased by 27.3% from RMB110.7 million in the four months ended April 30, 2021 to RMB80.5 million in the four months ended April 30, 2022, primarily due to the equity settled share-based payments incurred in the four months ended April 30, 2022. For more details, see "Financial Information—Period to Period Comparison of Results of Operations." However, 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 price volatility should our earnings fail to meet the expectations of the investment.

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 RMB14,000 in 2019, 2020 and 2021 and the four months ended April 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 June 30, 2022, we had cash and cash equivalents of RMB514.6 million and borrowings of RMB61.9 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 RMB19.7 million as of December 31, 2019, 2020 and 2021 and April 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 listing expenses, (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 April 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 RMB29.9 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 April 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. (思蓮抒格(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) and (iv) Candy (Shanghai) Cosmetics Co., Ltd. (糖果(上海)化妝品有限公司). For details, see Note 19 to the Accountant's Report in Appendix I to this prospectus. Our share of losses of investment accounted for using the equity method in 2019, 2020 and 2021 and the four months ended April 30, 2022 amounted to RMB9.2 million, RMB2.7 million, RMB6.6 million and RMB1.1 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 RMB289.6 million as of December 31, 2019, 2020 and 2021 and April 30, 2022, respectively. In 2019, 2020 and 2021 and the four months ended April 30, 2022, fair value gains from wealth management products amounted to RMB12.1 million, RMB14.0 million, RMB20.9 million and RMB3.6 million, respectively. In 2019, 2020 and 2021 and the four months ended April 30, 2022, the net realized gains of wealth management products amounted to RMB12.1 million, RMB12.6 million, RMB19.6 million and RMB3.0 million, respectively, and the unrealized gains of wealth management products amounted to RMB2,000, RMB1.4 million, RMB1.3 million and RMB0.6 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.

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 RMB25.4 million as of December 31, 2019, 2020 and 2021 and April 30, 2022, respectively. For more details about the fluctuations of our investment in unlisted equity securities, see "Financial Information

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—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 prospectus. 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 April 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. For more details, see “Future Plans and Use of Proceeds.” 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 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

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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 prospectus. 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 RMB162.5 million as of December 31, 2019, 2020 and 2021 and April 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 four months ended April 30, 2022, we incurred equity settled share-based payments of nil, nil, RMB2.1 million and RMB29.1 million. Subsequent to the Track Record Period and after the Listing, further awards (RSUs or other types of rewards) may be granted pursuant to the Share Incentive Plan. 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 prospectus. 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.

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—

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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 of convertible preferred shares of approximately RMB6.8 million in the four months ended April 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 April 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—Pre-IPO Investments.” We reverted to a net asset position and had net assets of RMB319.6 million as of December 31, 2021. The redemption liabilities were derecognized as of January 31, 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 RMB1,776.2 million as of April 30, 2022. All of our convertible preferred shares will be reclassified from liabilities to equity as a result of the automatic conversion into our ordinary shares upon the Global Offering. Therefore, we do not expect to recognize any further loss or gain on fair value changes from the convertible preferred shares after the Global Offering. We 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.

Our net cash outflow from operating activities may affect our liquidity.

We recorded net cash outflow from operating activities of RMB106.7 million in the four months ended April 30, 2022. For details, see “Financial Information—Liquidity and Capital Resources—Cash Flows—Operating Activities.” We may continue to record net cash outflow from operating activities in the future. Net cash outflow from operating activities may expose us to the risk of shortfalls in liquidity. This in turn would require us to seek additional financing from issuing our Shares, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed may have a material adverse effect on our business, financial condition, results of operations and 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 April 30, 2022, we had intangible assets of RMB9.5 million, RMB7.7 million, RMB5.8 million and RMB5.3 million, respectively, which

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primarily consist 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 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 prospectus.

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

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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” in this prospectus.

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

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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.

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

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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—Employees."

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 six 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

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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 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 investment.

During the Track Record Period, a majority of our revenue and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering 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 proceeds from the Global Offering. 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

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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 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 investment.

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 Global Offering, 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.

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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 proceeds from the Global Offering 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 proceeds we receive from the Global Offering in the manner described in “Future Plans and Use of Proceeds,” as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries, or (iv) acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and approvals. For example, capital contributions to our PRC subsidiaries, whether existing or newly-established ones, are subject to the requirement of necessary filings in the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the 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 net proceeds from this Global Offering, 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 proceeds 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 proceeds

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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 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

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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 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 investment.

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

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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.

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.

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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.

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.

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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 investors 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.

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

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-Resident Enterprise Equity Transfer (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

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resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws and regulations if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

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

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 investment 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 investment 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

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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.

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

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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 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 Global Offering. 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 GLOBAL OFFERING

The approval of or filing with the CSRC or other governmental authorities may be required in connection with the Global Offering, 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 are 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 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 Global Offering is completed, our PRC Legal Advisor is of the view that we may be required to complete the filing procedures with the CSRC before listing. We will comply with

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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 Global Offering is subject to any approval, filing, or other authorization or requirement of 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 Global Offering, or subject us to fines, penalties or other sanctions, which may have material adverse effect on our financial condition as well as the Global Offering.

There has been no prior public market for our Shares, and an active trading market for our Shares may not develop and the market price of our Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Shares. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. Shares held by the Controlling Shareholders, being DING GUOHUA LIMITED and QINGDINGDANG LIMITED, would be subject to a lock-up arrangement pursuant to Rule 10.07(1) of the Listing Rules. In addition, each of our existing Shareholders as of the date of this prospectus (excluding ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED, trustees holding Shares as reserve for the awards under the Share Incentive Plan) will be subject to a lock-up period for six months commencing from the Listing Date. Accordingly, Shares held by our existing Shareholders, representing 80.73% of the total Shares in issue immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised), will be subject to a lock-up period for at least six months from the Listing Date. Further, the Offer Shares to be purchased by the Cornerstone Investors will also be subject to a lock-up period of six months from the Listing Date. As a result, there can be no guarantee that an active and liquid trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Underwriters, which may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of our Shares when trading begins could be lower than the Offer Price.

The Offer Price of our Shares will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. The Shares will not commence trading 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 application lists and the commencement of trading. Further, the application for the Hong Kong Offer Shares will commence from Wednesday, August 24, 2022 to Wednesday, August 31, 2022, which is longer than the normal market practice of 3.5 days. Investors may not be able to sell or otherwise deal in the Shares until the commencement of trading and accordingly, holders of the Shares are subject to the risk that the price of their Shares could fall before trading begins as a result of adverse market conditions or other adverse

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developments that could occur between the time of sale and the time trading begins. As a result, investors 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 trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price 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 price and trading volumes of our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price 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 market price 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 market price 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 trading 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 Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Controlling Shareholders will be entitled to exercise voting rights of 45.46% 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

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to receive a premium for their Shares in a sale of our Company or may reduce the market price 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.

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

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering 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 prospectus.

This prospectus, 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 Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering (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

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other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including, where required, the approvals from our shareholders and our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board.

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

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our corporate records may be inspected by our Shareholders, but are not obliged to make them available to our Shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a Shareholder resolution or to solicit proxies from other Shareholders in connection with a proxy contest.

As a result of all of the above, our public Shareholders of Shares may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board of Directors or Controlling 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 prospectus.

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 Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, 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 prospectus, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, and this will normally mean that at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

Since the headquarters and business operations of our Company are based, managed and conducted outside of Hong Kong, and all of our executive Directors and all of the senior management team do not ordinarily reside in Hong Kong, we consider that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Our Company does not, and will not for the foreseeable future, have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules.

We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, Mr. Sun, our executive Director and president, and Mr. CHUNG Ming Fai (鍾明輝) (“**Mr. Chung**”), a joint company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of them has confirmed that he can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. As and when the Stock Exchange wishes to contact the Directors on any matters, each of the authorized representatives will have means to contact all of the Directors promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any change in the authorized representatives;
- (b) in addition to the appointment of the authorized representatives, to facilitate communication with the Stock Exchange, the contact details of each Director, including his or her mobile phone number, office phone number, facsimile number and email address have been provided to each of the authorized representatives, our company secretary, the Compliance Advisor (as defined below) who have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any urgent matters, and the Stock Exchange. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period as and when required; and
- (c) our Company has appointed China Securities (International) Corporate Finance Company Limited as our compliance advisor (the “**Compliance Advisor**”) in compliance with Rule

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

3A.19 of the Listing Rules. The Compliance Advisor will serve as an additional channel of communication in addition to the authorized representatives of our Company. The Compliance Advisor will provide our Company with professional advice on ongoing compliance with the Listing Rules and will be available to respond to enquiries from the Stock Exchange. Our Company will ensure that the Compliance Advisor has prompt access to the Company's authorized representatives and Directors who will provide to the Compliance Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties. Meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the Compliance Advisor.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and the Guidance on experience and qualification requirements of a company secretary ("HKEX-GL108-20"), our Company must appoint a company secretary who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing "relevant experience," the Stock Exchange will consider the individual's:

- (i) length of employment with the issuer and other issuers and the roles he or she played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and The Codes on Takeovers and Mergers and Share Buy-backs;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulations in Hong Kong, he/she also needs to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

has been with our Company for a period of time and is familiar with our Company's business and affairs as company secretary.

Our Company has appointed Mr. ZHANG Wensheng (張文勝) as one of the joint company secretaries. Mr. Zhang is currently the Chief Financial Officer of our Company. Mr. Zhang has extensive experience in financial and business management and corporate governance matters, as well as a thorough understanding of the daily operations, internal administration and financial management of our Group. However, Mr. Zhang currently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Mr. Chung, a member of Hong Kong Institute of Certified Public Accountants, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Zhang for an initial period of three years from the Listing Date to enable Mr. Zhang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. For details on Mr. Zhang and Mr. Chung's qualifications and experience, see "Directors and Senior Management."

Accordingly, our Company has therefore applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the conditions that:

- (i) Mr. Zhang will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules from which will be organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers time to time;
- (ii) Both Mr. Zhang and Mr. Chung have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (iii) Mr. Chung will assist Mr. Zhang to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;
- (iv) Mr. Chung will communicate regularly with Mr. Zhang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Mr. Chung will work closely with, and provide assistance for, Mr. Zhang in the discharge of his duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;
- (v) Upon expiry of Mr. Zhang's initial term of appointment as the company secretary of our Company, our Company will evaluate his experience in order to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Mr. Zhang's appointment as the company secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (vi) The Company has appointed China Securities (International) Corporate Finance Company Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date, or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company and Mr. Zhang as to the compliance with the Listing Rules and all other applicable laws and regulations.

We understand that, pursuant to HKEX-GL108-20, such waiver will be revoked immediately if Mr. Chung ceases to provide assistance to Mr. Zhang as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Zhang, having had the benefit of Mr. Chung's assistance for the preceding three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to certain continuing connected transactions between us and our connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see "Connected Transactions."

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Ms. Du	Room 304, Unit 2, No. 682 Shizi Street Xihu District, Nanchang Jiangxi, PRC	Chinese
Mr. Sun	Room 105, Building 103, No. 181 Gaobeidian Road Chaoyang District Beijing, PRC	Chinese
Mr. SUN Le (孫樂)	No. 10-1-2-302, Yuxin Lane Xingqing District, Yinchuan Ningxia, PRC	Chinese
Non-Executive Directors		
Ms. YAO Lu (姚璐)	Room 802, No. 4 Branch Lane 3, Lane 888, Luojin Road Minhang District Shanghai, PRC	Chinese
Mr. MENG Qingguang (孟慶光)	Room 204, Building 12, Courtyard 107, Chaoyang North Road Chaoyang District Beijing, PRC	Chinese
Ms. ZHAO Wenjie (趙文婕)	8-2-1401 Yi Cheng Dong Yuan Xueqing Road Haidian District Beijing, PRC	Chinese
Independent Non-Executive Directors		
Mr. LIU Ya (劉亞)	Room 2001, Unit One, Building One, Oceanwide International Sakura Garden No. 28 Xinzhuang One Road Chaoyang District Beijing, PRC	Chinese
Mr. LU Tao (呂濤)	6G Unit 3, Haojingge, Panjiayuan Courtyard No. 9 Chaoyang District Beijing, PRC	Chinese
Mr. HUANG Jiuling (黃九嶺)	Room 1018, Unit One, Building 11, Wan Cheng Hua Fu Long Yuan Haidian District Beijing, PRC	Chinese

Further information is disclosed in the section headed “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Sponsors, Joint Global
Coordinators, Joint
Bookrunners and Joint Lead
Managers**

**China Securities (International) Corporate Finance
Company Limited**

18/F
Two Exchange Square
8 Connaught Place
Central
Hong Kong

China Merchants Securities (HK) Co., Limited

48/F
One Exchange Square
8 Connaught Place
Central
Hong Kong

Joint Bookrunners

Zhongtai International Securities Limited

19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

26/F-28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited

Unit C1-2, 13/F
United Centre
No. 95 Queensway
Hong Kong

Tiger Brokers (HK) Global Limited

Whole of 18th Floor
Central 88
88 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Mouette Securities Company Limited

Flat 1301, 13/F
Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai
Hong Kong

Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Eddid Securities and Futures Limited

21/F, Citic Tower
1 Tim Mei Avenue
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F Wing On Centre
111 Connaught Road Central
Hong Kong

Legal Advisors to our Company

As to Hong Kong law:

Cooley HK

35/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices

12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing
PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza, 18 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to the Joint Sponsors and the Underwriters	<i>As to Hong Kong law</i> Sidley Austin 39/F, Two International Finance Centre 8 Finance Street Central Hong Kong <i>As to PRC law</i> Zhong Lun Law Firm 22-31/F South Tower of CP Center, 20 Jin He East Avenue Chaoyang District, Beijing PRC
Reporting Accountant and Auditor	PricewaterhouseCoopers <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i> 22/F, Prince's Building Central Hong Kong
Receiving Bank	CMB Wing Lung Bank Limited 16/F CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
Compliance Advisor	China Securities (International) Corporate Finance Company Limited 18/F Two Exchange Square 8 Connaught Place Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC
Independent Property Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 7/F One Taikoo Place 979 King's Road Hong Kong

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regards to our Group. Our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING, STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING AND PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The Hong Kong Offer Shares are offered solely on the basis of the information contained, representations made, and on and subject to the terms and conditions set out, in this prospectus and the **GREEN** Application Form. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the **GREEN** Application Form, and any information or representation not contained in this prospectus and the **GREEN** Application Form must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” and the procedures for applying for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” and in the **GREEN** Application Form.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) are unable to reach an agreement on the Offer Price on or before Friday, September 2, 2022, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the **GREEN** Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the Global Offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the additional Shares in issue and to be issued pursuant to the Capitalization Issue, the conversion of the Preferred Shares and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Company’s Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, September 7, 2022. The Shares will be traded in board lots of 400 Shares each. The stock code of the Shares will be 2306.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ADMISSION OF THE SHARES INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong branch register of members. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Underwriting" in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Unless otherwise specified, amounts denominated in Hong Kong dollars and Renminbi have been translated, for the purpose of illustration only, into U.S. dollars in this prospectus at the following exchange rates:

HK\$1.00: RMB0.8603

US\$1.00: RMB6.7410

The above exchange rates were quoted by the PBOC for foreign exchange transactions prevailing on August 15, 2022.

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities, enterprises (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese names (as appropriate) will prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to a set number of decimal places.

Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

CORPORATE INFORMATION

Registered Office in the Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Headquarters and Principal Place of Business in the PRC	Room 150, Building 119 No. 27 West Dawang Road Chaoyang District, Beijing PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Company Website	<u>http://www.yuehuamusic.com</u> <i>(the information contained on this website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. ZHANG Wensheng (張文勝) Room 150, Building 119 No. 27 West Dawang Road Chaoyang District, Beijing PRC Mr. CHUNG Ming Fai (鍾明輝) CPA 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. SUN Yiding (孫一丁) Room 105, Building 103, No. 181 Gaobeidian Road Chaoyang District Beijing, PRC Mr. CHUNG Ming Fai (鍾明輝) 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. LIU Ya (劉亞) (<i>Chairman</i>) Mr. LU Tao (呂濤) Mr. HUANG Jiuling (黃九嶺)
Remuneration Committee	Mr. LU Tao (呂濤) (<i>Chairman</i>) Mr. SUN Yiding (孫一丁) Mr. HUANG Jiuling (黃九嶺)

CORPORATE INFORMATION

Nomination Committee	Ms. DU Hua (杜華) (<i>Chairlady</i>) Mr. LU Tao (呂濤) Mr. LIU Ya (劉亞)
Principal Share Registrar and Transfer Office	Maples Fund Services (Cayman) Limited P.O. Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong
Principal Banks	China Guangfa Bank (Beijing International Exhibition Center Branch) First Floor, Zhongjian Building, No. 18 Xibahe Dongli, Chaoyang District Beijing, PRC China Merchants Bank (Tianjin Binhai Branch) No. 33 Second Road, Binhai New District Tianjin, PRC

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The information and statistics set out in this section and other sections of this prospectus were extracted 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 commissioned by us in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Global Coordinators, Joint Sponsors, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering (excluding Frost & Sullivan), and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the artist management market, music market and pan-entertainment market in the PRC for use in this prospectus, for a fee of RMB980,000. The information from Frost & Sullivan disclosed in the prospectus is extracted from such commissioned report, and is disclosed with the consent of Frost & Sullivan. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services primarily include industry consulting, market strategic consulting and corporate training.

Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan adopted the following primary assumptions while making projections that: (i) global social, economic and political environment shall remain stable in the forecast period; (ii) purchasing power shall continue to rise rapidly in emerging regions and to grow steadily in developed regions; and (iii) related industry key drivers shall drive the market in the forecast period. The Frost & Sullivan report used 2021 as the base year for research.

ASIAN ENTERTAINMENT MARKET AND CHINA'S PAN-ENTERTAINMENT MARKET

Asian Entertainment Market

The Asian entertainment market mainly consists of four sectors, namely drama series, variety programs, digital music and movies. With the digitalization trend and audience's increasing demand for premium entertainment content, the Asian entertainment market has experienced steady growth, the market size of which expanded from approximately US\$98.3 billion in 2017 to approximately US\$106.8 billion in 2019, at a CAGR of 4.2% between 2017 and 2019. The size of the Asian entertainment market experienced a slight decrease to US\$97.8 billion in 2020, primarily due to the disruption to the movie market resulting from the COVID-19 pandemic. The size of the Asian entertainment market increased to approximately US\$108.2 billion in 2021 along with the gradual recovery from the negative impact of the COVID-19 pandemic. The size of the Asian entertainment market is expected to increase to approximately US\$131.7 billion in 2026 with a CAGR of 4.0% between 2021 and 2026, according to Frost & Sullivan.

In the past several years, the robust development of the Asian entertainment market is mainly driven by the successful establishment and expansion of artist management business, especially in Japan and Korea. The artist management markets in these two countries are mature and highly

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developed. Leading artist management companies in Japan and Korea leverage their expert-level industry experience to select talented candidates and generate continuous income under various monetization models, such as through collaboration with corporate customers and from the audience. In the long run, leading artist management companies in China are expected to be able to collaborate with their foreign peers in mature markets and share such resources and experiences in the artist management industry.

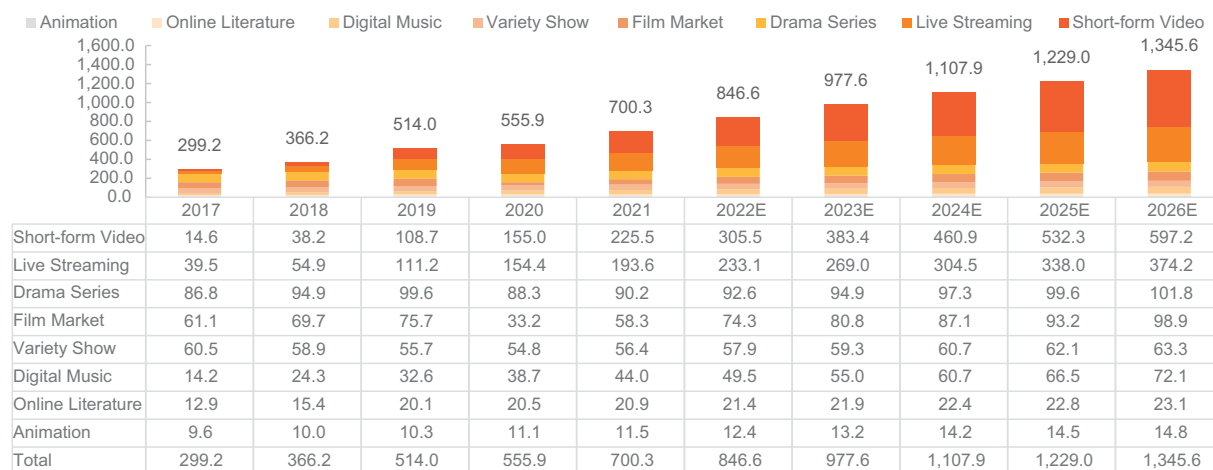
China's Pan-entertainment Market

China's pan-entertainment market consists primarily of eight sectors, namely short-form video, live streaming, drama series, variety program, digital music, movies, online literature, and animation.

Market Size

The pan-entertainment market in China has experienced a rapid growth in the past years primarily driven by the increase in per capita expenditure of Chinese urban residents on cultural and entertainment content. The market size increased from approximately RMB299.2 billion in 2017 to approximately RMB700.3 billion in 2021, at a CAGR of 23.7% between 2017 and 2021, according to Frost & Sullivan. By 2026, the total market is expected to reach approximately RMB1,345.6 billion, at a CAGR of 14.0% between 2021 and 2026. The following chart illustrates the actual and forecasted market size of China's pan-entertainment market in terms of revenue by sector for the periods indicated.

China's Pan-entertainment Market Size Breakdown by Sector
(RMB in billions, 2017-2026E)



Source: China Internet Network Information Center, China Performing Arts Association, International Federation of the Phonographic Industry, Chinese Musicians' Association and China Film Administration; experts interviews and desktop research conducted by Frost & Sullivan.

Key Drivers of China's Pan-entertainment Market

- Growing demand for diversified entertainment products.** The cumulative effect of rising disposable income level and living standards fueled the residents' consumption on entertainment activities. Driven by the sustainable growth in the demand for diversified entertainment products, new business opportunities are emerging in the pan-entertainment

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industry in China. The entertainment companies in China proactively explore and cultivate high quality original IPs in entertainment content and IP-related products, to expand their entertainment product offerings and attract more audience. This in turn stimulates the pan-entertainment market in China.

- *Enriched distribution channels and content dissemination forms.* Consumer behaviors in the pan-entertainment industry gradually change along with the proliferation of digital technologies. The internet has become a significant promotion platform for business activities and a major distribution channel in the pan-entertainment industry, due to its unlimited geographical coverage, inclusivity and promptness. Moreover, the emergence of short videos, over-the-top platforms and music streaming platforms has enriched the presentation forms and distribution channels of content products in the pan-entertainment industry, and made online reading and video watching more enjoyable and convenient.
- *People's inclination to pay for premium entertainment products.* As the purchasing power of Chinese residents grows and their awareness of copyright protection increases, they are more willing and able to pay for the premium or exclusive content and derivative products tailored to their diverse and personalized tastes. Targeting these consumers, a growing number of entertainment companies have introduced various high-quality content products and artist-related merchandise to monetize popular IPs, which drives the growth of the pan-entertainment market in China.

Future Trends of the China's Pan-entertainment Market

- *IP-centered development strategies.* Players in China's pan-entertainment market are expected to continuously implement the IP-centered development strategies, which emphasize the stable sources of high-quality IPs and the capabilities to operate and diversify their monetization approaches. High-quality IPs can attract a large audience base and thus increase the competitiveness of the market players. Moreover, the high-quality IPs can be monetized in a wide range of forms which maximize their intrinsic commercial value. As a result, owners of high-quality IPs have strong capabilities to obtain investments and resources to develop more quality IPs and outperform their competitors. There is a trend for the market players in pan-entertainment market to adhere to the IP-centered development strategies to further intensify their own competitive advantage in the following years.
- *Extensive and diversified monetization approaches.* Currently, revenue of the pan-entertainment products is primarily generated from advertising, licensing and IP-related and artist-related merchandise. Along with their growing purchasing power, audience in China are willing and able to pay for the premium content and IP-related products, providing new momentum for the pan-entertainment industry. The IP owners or operators will proactively seek new ways to expand their product and content offerings to cater for the evolving needs of the audience, so that the monetization approaches of pan-entertainment content will be further diversified.
- *Cohesive collaboration and synergy effect.* China's pan-entertainment market consists of diversified sectors, including variety programs, drama series, digital music, movies, short-form videos, live streaming, online literature and animation. The development of these sub-segments is not independent from each other. Specifically, leveraging premium contents, these sub-segments are cohesively evolving and organically integrating with

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each other. For instance, the musical works derived from variety programs could be monetized through digital music platforms; the popular movies could be adapted into drama series; and some contents could be distributed to more audience through short-form videos. The synergy effect from the sophisticated integration among various quality contents is expected to transform the pan-entertainment market into a new stage featured with intercorrelation and symbiosis of value sharing and content linkage, which ultimately contributes to building up an IP ecosystem.

ARTIST MANAGEMENT MARKET IN CHINA

Artist management market in China is a significant part of China's pan-entertainment market and contributes to the robust development of China's pan-entertainment market. According to Frost & Sullivan, artist management refers to professional service offered by experienced artist management companies or agencies, focusing on (i) exploring and cultivating artists with potential and talent, (ii) providing professional trainings and management to artists, and (iii) assisting artist to promote their popularity. The typical business model of the artist management companies is mainly to share with their managed artists the income generated from commercial activities, musical works, variety programs, drama series, movies and other business activities.

Artist management companies invest in cultivation and training of their managed artists, and engage these well-trained professionals in commercial activities and content production activities to produce high-quality contents, including digital music, movies, drama series, and variety programs. The premium contents stimulate the audience's willingness to pay for such premium entertainment content, driving the growth of overall pan-entertainment industry in China.

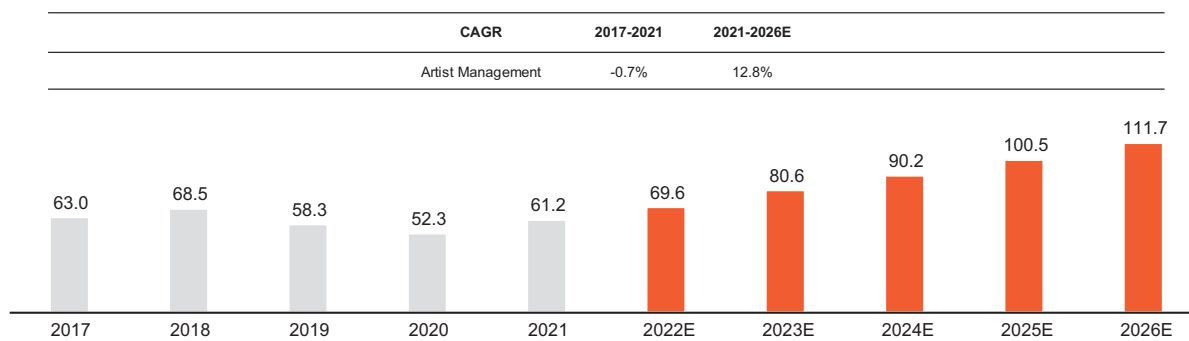
According to Frost & Sullivan, artists management companies can be classified into four categories, namely (i) professional artist management companies, (ii) platform-based artist management companies, such as leading media platforms in China with artist management business, (iii) artist management studios and (iv) content-based artist management companies, such as entertainment content production companies with artist management business. Professional artist management companies explore and cultivate potential artists through systematic and professional training to increase the artists' popularity and realize their commercial value. Leveraging their substantial market influence, leading media platforms in China also provide artist management services to artists. Artist management studios are established for a specific artist and focus on increasing this artist's market popularity and maximizing his or her commercial value. Content-based artist management companies manage artists to support the production and distribution of entertainment content, especially drama series and music content.

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Market Size

The following chart sets forth the actual and forecasted size of the artist management market in China in terms of revenue generated by artist management companies for the periods indicated.

Size of Artist Management Market, China
(RMB in billions, 2017-2026E)



Source: NRTA, China Film Administration; experts interviews and desktop research conducted by Frost & Sullivan.

The market size of the artist management industry in China experienced a moderate growth at a rate of 8.8% from approximately RMB63.0 billion in 2017 to approximately RMB68.5 billion in 2018. The market size decreased to approximately RMB58.3 billion in 2019, mainly due to the specific requirements imposed by the regulatory authorities at the end of 2018 on the proportion of artists' salaries in the total investment in movies and drama series. In the long run, however, such regulatory requirements are conducive to the balanced development of the market. Moreover, the outbreak of COVID-19 in 2020 temporarily affected artists' work arrangement, such as the filming of movies, drama series and other TV programs, as well as offline promotion activities. As a result, the market size of the artist management industry in China decreased to approximately RMB52.3 billion in 2020. In 2021, the artist management industry gradually recovered from the pandemic of COVID-19. Meanwhile, fueled by the continuous development of professional artist management systems, the increasing demand for talented artists by content production companies, as well as diversified monetization channels, the market size of the artist management industry in China increased to approximately RMB61.2 billion in 2021.

According to Frost & Sullivan, the size of the artist management market in China is expected to reach approximately RMB111.7 billion by 2026, at a CAGR of 12.8% between 2021 and 2026, fueled by the development of professional artist management systems, proliferation of digital channels to compete for audience as well as diversified monetization channels.

Key Drivers of Artist Management Market in China

The primary drivers for the artist management market in China include the following:

- *The prosperity of the entertainment industry in China.* The cumulative effect of rising disposable income level and continuous urbanization fueled the residents' consumption on entertainment activities. The audience, especially the young audience, of entertainment programs have increased their spending in concerts, performing events, consumer products and business activities that involve the artists they adore. Entertainment companies proactively invest resources in developing and nurturing communities for their target

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audience to actively and positively interact with their adored artists. To reinforce the audience's affinity to the artists and such communities, these entertainment companies also explore to collaborate with consumer product brands to produce artist related merchandise. All these in turn fuel the market growth in the artist management market in China.

- *Artists' increasing demand for professional artist management companies.* It is essential and critical for talented artists to obtain professional and systematic career management to achieve a greater success in their career. On one hand, the professional training programs, including expertise improvement courses, personal marketing plans and career guidance, effectively enhance the artists' professional competency and reinforce their competitive edges. On the other hand, compared to independent artists, the talent associated with professional management companies or agencies have more advantages in competing for the limited resources in the entertainment industry. Therefore, the increasing demands for professional and systematic management from potential and existing artists give rise to the market growth in the artist management industry in China.
- *Engagement of diversified market players.* Certain established entertainment content production companies have accumulated rich experience in artist management business and more entertainment content production companies are entering the artist management market. These companies nurture their internal talent pool to better manage the costs for the performance of artists and reinforce their competitive advantages. By executing such strategy, they can produce contents in a flexible manner within their budget, improve the expertise of their own talent and strengthen their marketing capabilities. Meanwhile, some well-established media platforms have recently begun to step into the artist management market to enhance their competitive edge, aiming to lay a solid foundation for further development of their businesses. The diversification of artist management companies in the market accords with the growing demand for comprehensive and personalized artist management services, which finally benefits professional artist management companies and promotes their business growth.

Future Trends of Artist Management Market in China

- *Talent-centered and market-oriented players to stand out.* The Chinese artist management market is undergoing periodic fluctuations due to the implementation of more stringent regulatory policies. Such enhanced supervision will ultimately guide the market to a standardized and rational stage of development. Professional artist management companies adopt talent-centered and market-oriented business strategies. They would be more likely to outperform players who cannot adapt to the ever-changing environment in competition for market recognition and audience satisfaction. Professional artist management companies will continuously provide customized services across many aspects such as casting, training and marketing, to fully exploit their artists' potential and thus build up their market reputation. Meanwhile, professional artist management companies will actively keep track of the audience's changing preferences and tastes to effectively market their artists, aiming to secure more commercial opportunities for artists.
- *Audience's rational evaluation of artists.* Along with the standardization of the artist management market in China, the evaluation of artists gradually returns to rationality. Both the market and audience would value performance and professionalism of the artists

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and quality of the content. They place an emphasis on the essential specialized skills and professionalism of the artists during the process of casting and bidding. The market and audience also expect artists with expertise to play a positive role in guiding their followers. Such rational evaluation of artists helps create a sustainable competition environment in the artist management industry.

- *Integrating diversified resources to discover and manage artists.* The channels for discovering potential artists tend to be diversified along with the rise of short-form video and live broadcasting platforms. The artist management companies can approach a greater number of potential artists at a lower cost through these free and open channels. Meanwhile, an increasing number of artist management companies actively cooperate with art institutes and academies to offer systematic and professional training courses, aiming to incubate and excavate potential artists at a relatively early stage. Moreover, a number of artist management companies seek cooperation horizontally with other market players to jointly manage artists and trainees, which could optimize the synergy effect, utilize resources reasonably, reduce operating costs and maximize investment returns. The artist management companies also collaborate closely with media platforms, short video platforms, social media platforms and high fashion brands to get wide media coverage for the artists, increase their public exposure and enhance their market influence.

Entry Barriers of China's Artist Management Market

The entry barriers of the artist management market in China consist of:

- *Professional expertise.* Along with the further development of China's artist management market, the one-stop providers of integrated artist management services, including but not limited to the professional training and customized career path plans, become increasingly popular for talented artists and more competitive in the artist management market. Experienced market players usually have substantial practical experience in various aspects, and some large-scale companies have established their own in-house professional teams to effectively protect artists' interest and public image.
- *Industry knowledge.* Market experience, including the capability to cooperate with other market players to promote artists, the ability to identify talented artists, and the keen insight to follow the latest market trends and audience preferences, is extremely critical for artist management companies to outperform their competitors.
- *Integration of resources.* The ability to integrate and coordinate resources is an essential competitive edge for experienced artist management companies. Artists who cooperate with such companies can get more publicity and achieve greater influence on the audience through various entertainment content and distribution channels. Experienced artist management companies have great advantages in coordinating resources among domestic and international brands, content producers, media platforms and music service providers and are more likely to secure opportunities for their artists, which brings great challenges for new entrants in attracting and retaining talented artists.
- *Brand image.* Certain companies in China's artist management industry have established solid reputation and been widely recognized by the market and audience. Under such circumstance, talented artists and artist candidates are more likely to cooperate with these well-established artist management companies to achieve a successful career. In addition, the brand effect empowers these well-established companies to acquire opportunities of

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different business projects including production of musical works, variety programs, drama series and movies, and participation in endorsement deals and other commercial events. The existing market players normally accumulate their competitive edges in brand image over time, which inevitably poses an entry barrier for new entrants.

Competitive Landscape of Artist Management Market in China

According to Frost & Sullivan, the artist management market in China is highly competitive and fragmented. There were more than 1,200 players in this market as of December 31, 2021, including certain large entertainment content production companies with artist management business, according to Frost & Sullivan. The size of China's artist management market was approximately RMB61.2 billion in 2021. The top five artist management companies generated an aggregate revenue of RMB3.4 billion in 2021, representing approximately 5.5% of the total market share for the same year.

In China, we compete with other professional artist management companies, platform-based artist management companies, content-based artist management companies and artist management studios. Platform-based artist management companies focus on providing quality and diverse content on their platforms to increase the number of subscribers. Content-based artist management companies focus on the production and distribution of premium content. These two types of artist management companies operate artist management business and cultivate their own managed artists in order to supplement their core businesses. In contrast, the core business of professional artist management companies is to identify, train and promote talented trainees to become established artists leveraging their professional artist training and operation capabilities and rich industry resources. The revenue scale of the artist management business of the platform-based and content-based artist management companies is normally smaller than that of professional artist management companies. As a result, in terms of revenue generated from the artist management business in 2021, among all the artist management companies in China, we ranked first with a market share of approximately 1.9%. The following table sets forth the top five artist management companies in China in terms of revenue generated from the artist management business in 2021, which are all professional artist management companies.

Top Five Artist Management Companies in China in Terms of Revenue in 2021

<u>Ranking</u>	<u>Company</u>	<u>Identity and Background</u>	<u>Revenue of Artist Management Business (RMB in millions)</u>	<u>Market Share</u>
1	Our Company	A culture and entertainment platform comprising three complementary businesses of artist management, music IP production and operation, and pan-entertainment business, with 66 managed artists as of the Latest Practicable Date	1,174.8	1.9%
2	Company A	A diversified entertainment company which used to be listed on the NEEQ and currently is an associated company of an A-share listed company, focusing on movie and drama series production and artist management, with approximately 25 managed artists, who are mainly actors, as of December 31, 2021	800.0	1.3%

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Ranking	Company	Identity and Background	Revenue of Artist Management Business (RMB in millions)	Market Share
3	Company B	A private professional culture company integrating large-scale performance arts, trainee cultivation, artist management and corporate image and cultural planning, with approximately 25 to 30 managed artists, who focus on singing and dancing, as of December 31, 2021	550.0	0.9%
4	Company C	A private entertainment company focusing on the cultivation of the new artist culture via the internet and social media, with approximately 150 to 180 managed artists, who focus on singing and dancing, as of December 31, 2021	450.0	0.7%
5	Company D	A private integrated pan-entertainment company covering artist management, movies and drama series investment and production, incubation of trainees, concert production and entertainment marketing, with approximately 12 to 15 managed artists, who are mainly actors, as of December 31, 2021	400.0	0.7%

Source: Experts interviews conducted by Frost & Sullivan.

MUSIC MARKET IN CHINA

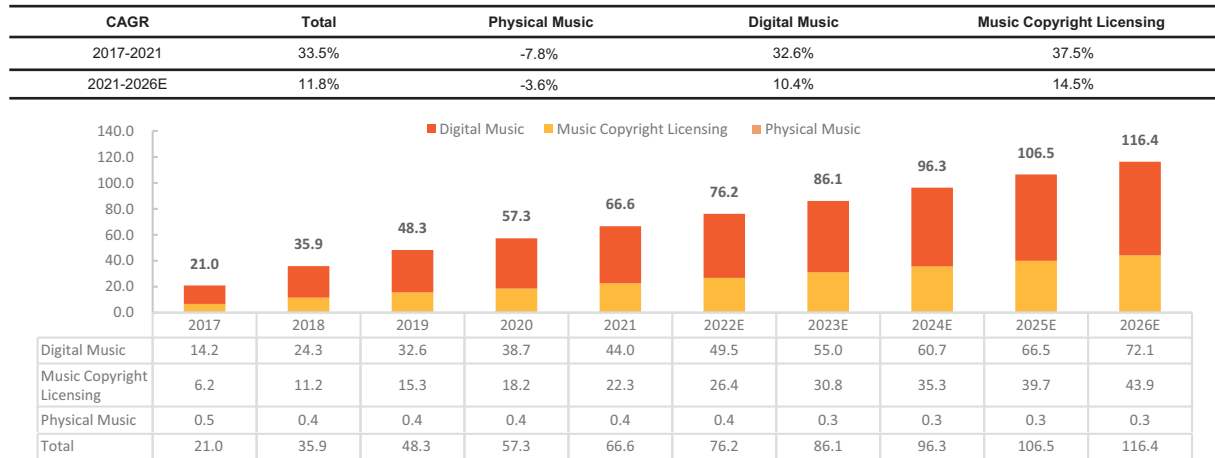
The music market in China consists of music copyright licensing market, digital music market and physical music market. Music copyright refers to a legal right created by the law of a country which grants the creator of an original piece of music exclusive rights for its use and distribution. Music copyright owners acquire income from royalties and fees collected during the process of music content creation and distribution. Digital music refers to the music stored on and downloaded from music streaming platforms in the form of data. Digital music is convenient, and music in the digital form can maintain high quality over time. Physical music takes the form of physical music albums, cassettes and other physical forms.

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Market Size

The following chart sets forth the actual and forecasted size of the music market in China in terms of revenue by category for the periods indicated.

Music Market Breakdown by Category, China
(RMB in billions, 2017-2026E)



Source: International Federation of the Phonographic Industry, Chinese Musicians' Association, Music Copyright Society of China and China Audio-Video Copyright Association; experts interviews and desktop research conducted by Frost & Sullivan.

The total size of the music market in China increased from approximately RMB21.0 billion in 2017 to approximately RMB66.6 billion in 2021, at a CAGR of 33.5% between 2017 and 2021. The substantial growth was primarily fueled by the fast expansion of digital music and music copyright markets in China during the same period. According to Frost & Sullivan, the total size of the music market in China is estimated to reach approximately RMB116.4 billion by 2026 with a CAGR of 11.8% between 2021 and 2026.

Music Copyright Licensing

Due to the improved copyright protection environment, the size of music copyright licensing market in China grew exponentially, increasing from approximately RMB6.2 billion in 2017 to approximately RMB22.3 billion in 2021, at a CAGR of 37.5% between 2017 and 2021. As China continues to regulate the licensing and sub-licensing of music content, users will be further required to pay for licensed music content, therefore increasing royalties. The music copyright licensing market is expected to reach approximately RMB43.9 billion by 2026, at a CAGR of 14.5% between 2021 and 2026, according to Frost & Sullivan.

Digital Music and Physical Music

The size of digital music market experienced impressive growth, driven by the audience's increasing willingness to purchase digital music content, increasing from approximately RMB14.2 billion in 2017 to approximately RMB44.0 billion in 2021 at a CAGR of 32.6% between 2017 and 2021. According to Frost & Sullivan, the size of the digital music market may reach approximately RMB72.1 billion in 2026 at a CAGR of 10.4% between 2021 and 2026. In contrast, the size of physical music market decreased from approximately RMB0.5 billion to approximately RMB0.4 billion between 2017 and 2021 as a result of the rapid development of the internet and mobile technologies, and may decrease to approximately RMB0.3 billion in 2026, according to Frost & Sullivan.

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Key Drivers of Music Market in China

The primary drivers for the music market in China include the following:

- *Boom of music content to satisfy diverse demand.* Empowered by various and distinctive listeners' appetites, the development of the music content supply shows the dynamic in genres and quantity of musical works. Since music genres often appeal to specific cultures, demographics and occasions, the variety of music genres can cater to more daily scenarios such as fitness, driving and social events, leading the industry to boom in the past decades.
- *Digital music as a major contributor.* The shift towards digital music products and services fueled the prosperity of the music copyright operation market, despite decreasing sales of physically distributed music records such as cassettes and CDs. As a typical and popular type of digital music products, digital music albums boom for its real-time and private listening features. The valuable data of the target listeners of these digital albums gathered on various digital music platforms have become increasingly significant for marketing and sales of musical works and music IP-related products.
- *Increasing willingness to pay for premium content.* Along with the enhancement in copyright protection awareness in China, audiences on digital music platforms have become more willing to pay for high quality and personalized music content. To attract and retain their audience, major digital music platforms are dedicated to spending heavily on music contents upon music copyright procurement to maintain their competitive advantages in user stickiness and product differentiation. Moreover, digital music platforms have been striving to improve intellectual property recognition through cultivating users' purchasing habits, which helps the overall industry prosper.
- *Diversified monetization channels of digital music.* Along with technology innovation and upgrade, various distribution channels such as music streaming platforms and short video platforms popularize and gradually supersede physical record stores, bringing more convenience and accessibility to music consumers. Also, these new distribution channels have restructured and diversified the industry revenue structure with the emerging digital music licensing royalties from sublicensing to drama series and movie production and video game soundtrack.

Future Trends of Music Market in China

- *Differentiated products and services.* The success of the digital music platforms will primarily depend on their capability of anticipating users' preferences to provide customized online music services and driving users' engagement. By providing live streaming services, developing online karaoke apps and delivering distinctive music contents, the digital music platforms aim to enhance users' experience, increase their willingness to pay and improve their stickiness to the platforms.
- *Diversified distribution channels and models.* Nowadays various musician management models emerge. Top musicians with greater bargaining power and autonomy in music production tend to produce their own music content in cooperation with musician management agencies, while some musician management agencies standardize the training process to promote musician groups towards market on a regular basis by variety programs or public performances. Also, independent musicians and bands are growing considerably due to the booming of short video channels and variety music programs,

INDUSTRY OVERVIEW

since the internet has become a viable vehicle to lower the threshold of self-promotion and self-distribution. Leveraging diversified distribution channels and musician management models, new joiners in the music industry can get more exposure to the public and gain popularity more easily.

- *Integrated value chain.* Top music publishers and distributors tend to participate in the entire value chain of the music market in order to improve cost efficiency. Major music distributors, particularly digital music platforms, generally acquire the copyrights of the entire spectrum of the top listed music through contracting or incubating upstream music content creators. As to the downstream, music publishers and distributors apply multiple monetization models of music copyrights, such as investing in music variety programs and theatrical movies and licensing music IPs to resorts and online games, to increase their revenue.

THE VIRTUAL ARTISTS MARKET IN CHINA

Virtual artists are computer-generated animated figures to be influencers and come out as metaverse characters with augmented reality and virtual reality technologies. Developers use advanced animation and rendering technologies to produce characters with finely detailed facial expressions and body movements. For tasks such as attending live streaming events, the developers typically need to engage human actors. The actors' movements, sound and expressions are reflected on the virtual artist by using motion capture technology or software. There can be one or more human actors behind a virtual artist. Typically, there is no direct association between the image and identity of the virtual artists and those of the human actors. Virtual artists play various roles such as singers, bands, key opinion leaders/influencers, and broadcasters, which are related to existing IPs, virtual counterparts of human artists, or avatars of consumer brands.

Virtual artists have become prevalent in recent years. Virtual artists can perform alongside real-life artists on stage and to attend talk shows or interviews like real-life artists. Virtual artists have also been invited to promote products on live streaming platforms, similar to what real-life artists and celebrities can do. Virtual artists have been monetized for various commercial activities such as brand endorsements, live broadcasts, live concerts and marketing campaigns.

Through technical methods, artist management companies can make timely adjustments to the public images and professional skills of their virtual artists to capture the latest changes in public taste and market preference and maintain their popularity. The contents performed by virtual artists can be tailored to the needs of brands or the audience. Moreover, virtual artists are more accessible to the audience and can interact with their followers actively. Finally, virtual artists can break through the limitations of time and space, appearing 24/7 on multiple channels. As a result, brands, content producers and media platforms are more inclined to initiate business cooperation with virtual artists.

In the future, as technology advances, virtual artist's popularity can be further promoted and they possibly interact with people via an avatar.

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 Global Offering.

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 listing 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 listing 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.

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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 Global Offering. 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 “—Pre-IPO 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 ⁽¹⁾	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”) ⁽²⁾	107,759	8.24%
	Total	1,307,759	100.00%

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Independent 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%
	Total	1,538,540	100.00%

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%
	Total	1,728,700	100.00%

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%
	Total	110,000,000	100.00%

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 Pre-IPO Investors, at a total consideration of RMB124,750,000, details of which are set forth in “—Pre-IPO 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.

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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 ⁽¹⁾	21,284,980	19.35%
3.	CMC ⁽²⁾	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%
	Total	110,000,000	100.00%

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 “—Pre-IPO Investments” below.

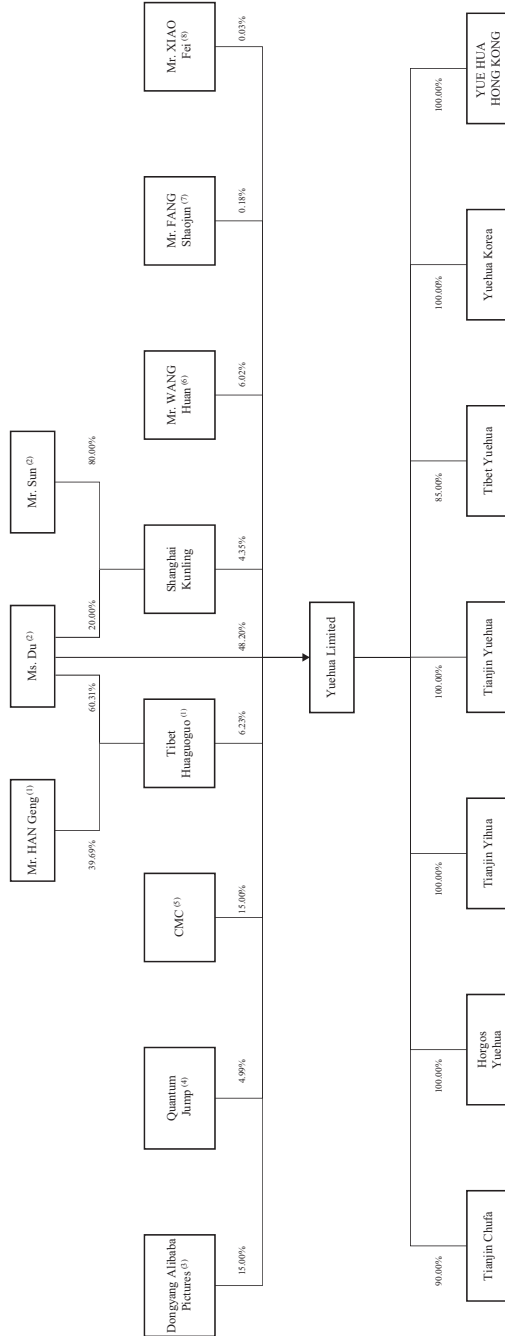
There have not been any major shareholding changes in other major subsidiaries of the Company since their respective incorporation.

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.

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 Pre-IPO Investors. For details, see “—Information about the Pre-IPO Investors.”
- (4) Quantum Jump (as defined below) is one of our Pre-IPO Investors. For details, see “—Information about the Pre-IPO Investors.”
- (5) CMC (as defined below) is one of our Pre-IPO Investors. For details, see “—Information about the Pre-IPO 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 Global Offering, we underwent the following Reorganization before the listing:

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 ⁽¹⁾	58,108,105
Bloom Joy Capital Profit Limited ⁽²⁾	6,624,279
QINGDINGDANG LIMITED ⁽³⁾	3,827,984
POWER JOY PLUS LIMITED ⁽⁴⁾	2,721,497
Changyang Limited ⁽⁵⁾	200,000
UPXF GROUP LIMITED ⁽⁶⁾	29,000
Total	71,510,865

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 “—Pre-IPO 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.

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 prospectus.

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 ⁽¹⁾	100,883	30,541	77,136
Total liabilities ⁽¹⁾	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.

CAPITALIZATION ISSUE

Pursuant to the resolutions passed by our Shareholders on August 19, 2022, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 634,210,000 Shares credited as fully paid at par on Listing Date 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 Listing Date, 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.

PRE-IPO INVESTMENTS

Overview

We attracted several Pre-IPO 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 ⁽¹⁾	Subscriber	Registered capital subscribed for (RMB)	Total funds raised by our Company (RMB)	Cost per Share ⁽²⁾ (RMB)	Discount to the Offer Price ⁽³⁾
1.	July 4, 2014	July 24, 2014	Shanghai Wentou ⁽⁴⁾	190,159	122,360,000	2.38	63.8%

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(b) Transfers of Shares or Equity Interests

No.	Date of equity/share transfer agreement	Settlement date ⁽¹⁾	Transferor	Transferee	Registered capital or Share capital transferred (RMB)	Consideration (RMB)	Cost per Share ⁽²⁾ (RMB)	Discount to the Offer Price ⁽³⁾
1.	July 4, 2014	September 24, 2014	Ms. Du Mr. WANG Huan Zhoushan Dailesi Xinjiang Rongzheng	Shanghai Wentou	242,018	132,370,000	2.38	63.8%
2.	August 28, 2018	November 1, 2018	Ms. Du	Quantum Jump	5,489,000	124,750,000	3.51	46.7%
3.	November 16, 2020	November 24, 2020	Shanghai Kunling	Dongyang Alibaba Pictures	16,500,000	277,500,000	2.60	60.5%
4.	August 30, 2021	February 15, 2022	Mr. WANG Huan	Joinstar HK ⁽⁵⁾	1,100,000	8,000,000	1.12	82.9%

Notes:

- (1) Refers to the last date of settlement for the relevant rounds of Pre-IPO Investments.
- (2) The cost per Share paid is calculated based on the share subscription/acquisition price paid by the relevant Pre-IPO Investors, and the number of Shares they receive pursuant to the Reorganization and upon completion of the Capitalization Issue.
- (3) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$7.65 per Share, being the mid-point of the indicative Offer Price range of HK\$6.80 to HK\$8.50.
- (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 Pre-IPO Investments

Use of Proceeds from the Pre-IPO Investments

We have fully utilized the proceeds from the capital injection by Shanghai Wentou in the Pre-IPO 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 Pre-IPO Investors

At the time of the Pre-IPO 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 Pre-IPO Investors' knowledge and experience.

Our Pre-IPO 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.

By introducing our Pre-IPO 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 Pre-IPO Investors to increase the public exposure of our manage artists.

The Pre-IPO Investments also demonstrated the Pre-IPO Investors' confidence in the operation and development of our Group.

Basis of Consideration

The consideration for the Pre-IPO Investments was determined based on arm's length negotiations between our Group and Shanghai Wentou or between the relevant Pre-IPO 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 Pre-IPO Investors under the capital market conditions at the time of the relevant investments and (ii) the strategic benefits which would be brought by the Pre-IPO 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 Pre-IPO Investments.

Special Rights of Pre-IPO Investors

The Pre-IPO Investors were granted certain customary special rights in the Pre-IPO 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 Listing. 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 listing of our Shares on the Stock Exchange, provided in the event where such listing submission is withdrawn, rejected, lapses and is not renewed within a prescribed period of time, or the Company fails to consummate the Global Offering, such redemption rights shall automatically be reinstated in full.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Information about the Pre-IPO Investors

Set out below is certain information of the Pre-IPO 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 Pre-IPO 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 Pre-IPO Investors, there is not any past or present relationships between (i) each of the Pre-IPO 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 14.25% of the issued capital in our Company immediately prior to the completion of the Global Offering, and will hold approximately 12.11% upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised). As such, CMC Sports will be a substantial shareholder of our Company upon Listing, and the Share it holds will accordingly not be considered as part of the public float.

Interform Construction holds approximately 14.25% of the issued capital in our Company immediately prior to the completion of the Global Offering, and will hold approximately 12.11% upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised). As such,

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Interform Construction will be a substantial shareholder of our Company upon Listing, 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 Pre-IPO Investors mentioned above will constitute part of the public float.

Compliance with Guidance Letters on Pre-IPO Investment

On the basis that (i) the Listing is expected to take place on or around September 7, 2022 and will be more than 120 clear days after the completion of the Pre-IPO Investments, which is February 15, 2022; and (ii) the Pre-IPO Investor shall have the same rights as the other public Shareholders after the Listing, the Joint Sponsors have confirmed that, based on the documents provided by the Company relating to the Pre-IPO Investment, the Pre-IPO 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.

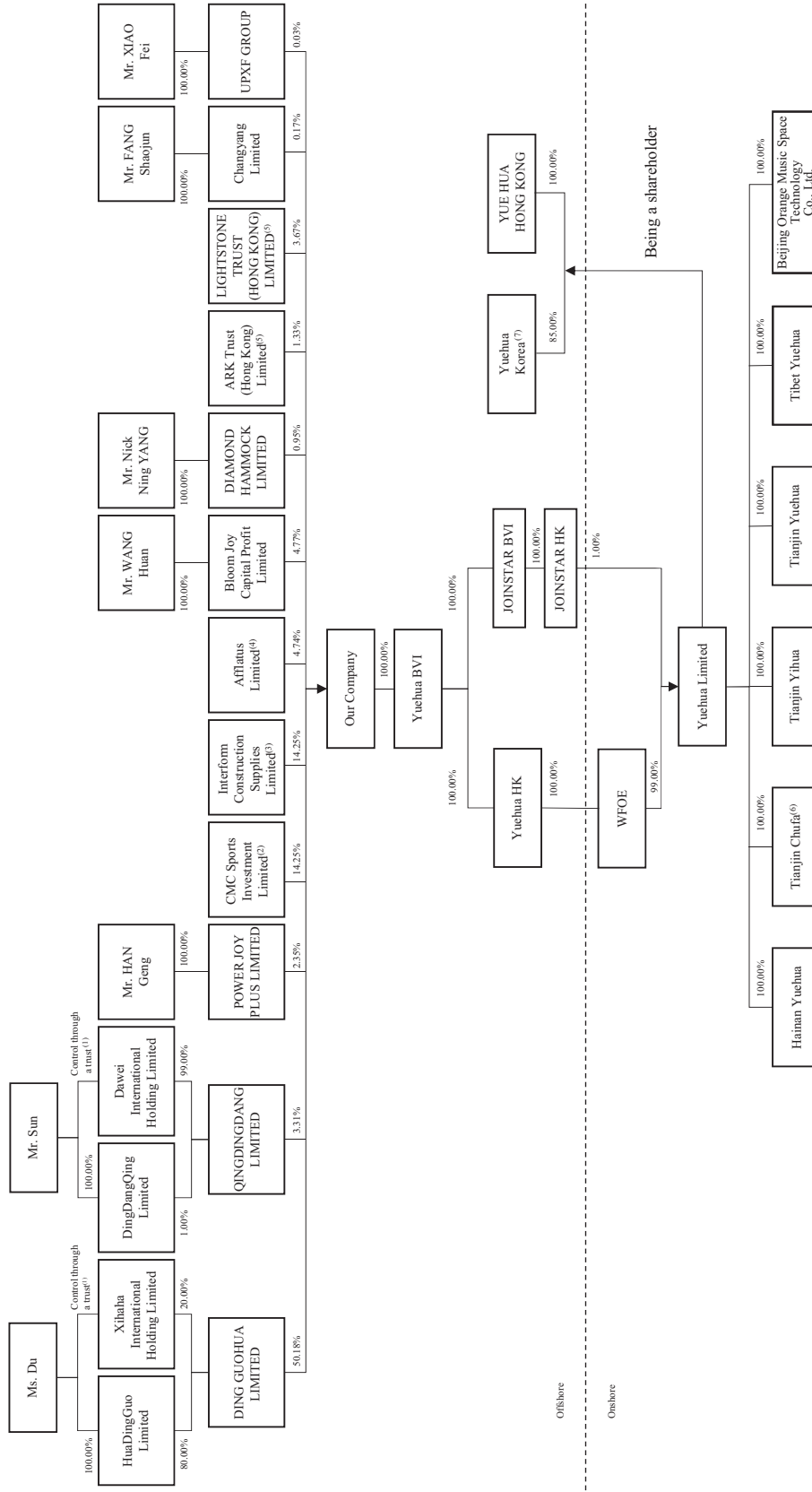
LOCK-UP ARRANGEMENTS

Shares held by our Controlling Shareholders would be subject to a lock-up arrangement pursuant to Rule 10.07(1) of the Listing Rules. For details, please see “Underwriting—Underwriting Arrangements and Expenses— Hong Kong Public Offering—Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules—(B) Undertakings by Controlling Shareholders.”

Other than the Controlling Shareholders and ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED (being trustees holding Shares as reserve for the awards under the Share Incentive Plan), each of other existing Shareholders as of the date of this prospectus (including the offshore affiliates of our Pre-IPO Investors), has entered into a deed of lock-up undertaking in favor of each of our Company, the Joint Sponsors and the Joint Global Coordinators, for a period of six months commencing from the Listing Date.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE CAPITALIZATION ISSUE AND THE GLOBAL OFFERING

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganization but prior to the Capitalization Issue and Global Offering.

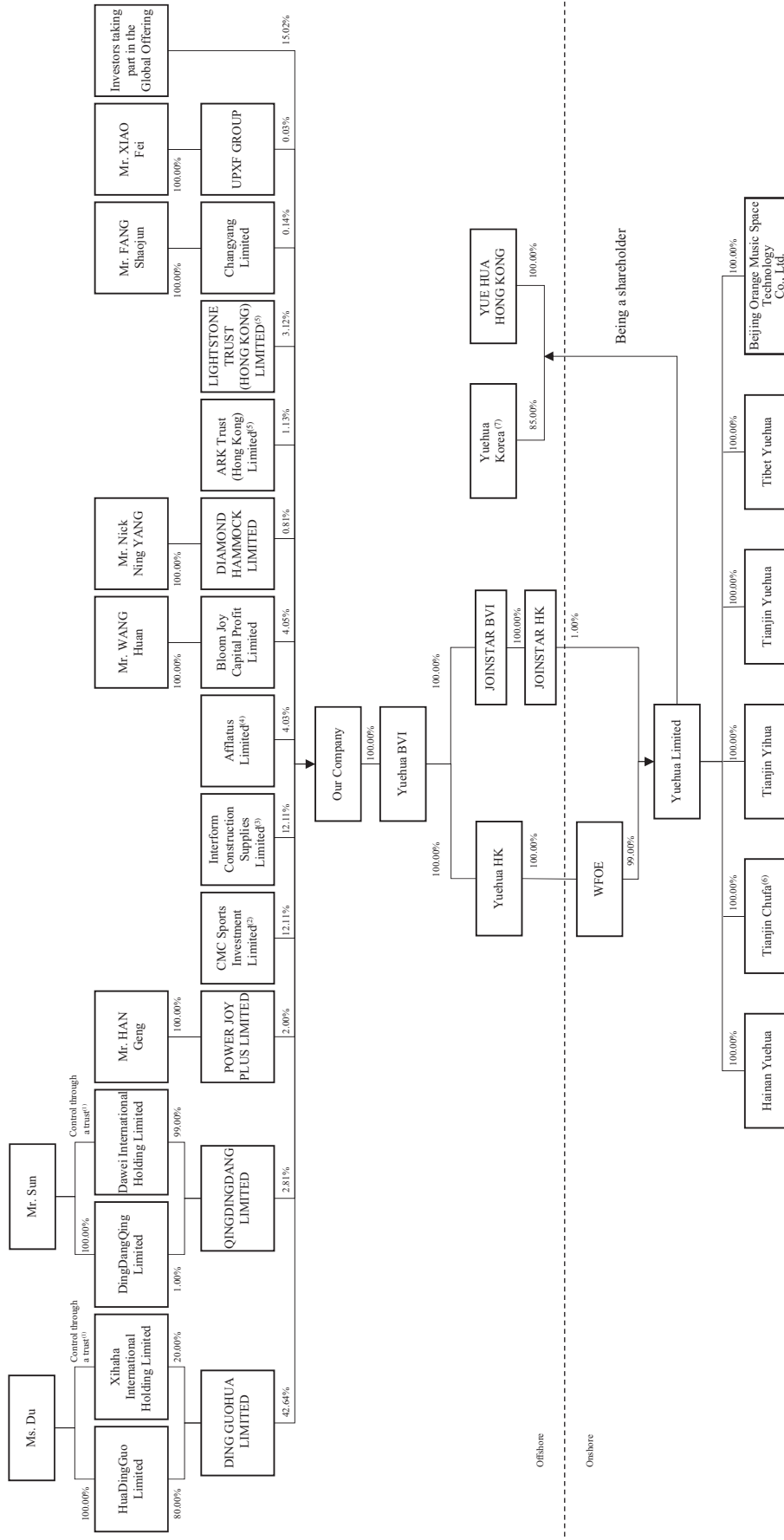


Notes:

- (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.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following chart sets forth our Group’s corporate and shareholding structure immediately after completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.



Notes (1) to (7) : See “Our Structure Immediately Prior to the Capitalization Issue and the Global Offering.”

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.

OVERVIEW

We are an established artist management company in China. According to Frost & Sullivan, we ranked first among artist management companies in China with a market share of 1.9% in terms of artist management revenue in 2021. Since our establishment in 2009, we have grown into a culture and entertainment platform comprising three complementary businesses of artist management, music IP production and operation, and pan-entertainment business.

Consumers' ever-expanding demand for high-quality entertainment has put increased spotlights on established artists, around whom the entertainment industry has been evolving for many years. Today's established artists no longer limit themselves to one particular genre in which they originally specialize. They perform in various types of entertainment content, including music, variety programs, drama series and movies. Further, through endorsement deals and business promotion activities, established artists help corporate customers raise the market awareness of their products or services. As a professional artist management company, we arrange our managed artists to provide high-quality services to our customers, and assist our managed artists to pursue commercial opportunities and develop their career. Our business covers the entire artist management industry value chain, from artist training, artist operation to artist promotion. Our extensive industry expertise has laid the foundation for us to lead China's artist management market and embrace the opportunities.

Our business model consists of the following three business lines:

- ***Artist management.***

We have established a full-fledged professional artist management system, which has enabled us to assemble a diverse team of managed artists and a robust pipeline of trainees. As of the Latest Practicable Date, we had 66 managed artists and 71 trainees enrolled in our trainee program. We continuously identify candidates with high artistic potential, and train them into artists with solid performing skills, strong professionalism and sound moral character. Benefiting from their positive public images and popularity, our managed artists have entered into endorsement deals with, and participated in business promotion activities, for a wide selection of well-known domestic and international brands. In addition, our managed artists have played important roles in various popular productions, such as the drama series "Faith Makes Great: Choice (理想照耀中國之抉擇)," "Luoyang (風起洛陽)" and "Floating Youth (冰球少年)," the movies "The Pioneer (革命者)," "The Founding of An Army (建軍大業)" and "Beginning of the Great Revival (建黨偉業)," and the variety programs "Street Dance of China (這!就是街舞)" and "One More Try (極限青春)." In a highly fragmented artist management market in China, we have the largest market share, in terms of artist management revenue in 2021, of 1.9%, according to Frost & Sullivan.

In the artist management business, we generate revenue primarily from providing services to customers, which include corporate customers, media platforms, content producers and advertising agencies, by arranging our managed artists to (i) participate in commercial activities, such as endorsement deals, business promotion activities and other commercial activities, and (ii) provide entertainment content services such as performing in movies, drama series and variety programs. Our cost of revenue consists primarily of payments to our managed artists and their related entities, who are our major suppliers. Pursuant to the artist management contracts, we share revenue with our managed artists after deducting

relevant expenses, according to percentages set out in the artists' contracts, which vary according to the terms of the contracts.

During the Track Record Period, we entered into cooperation agreements with certain media platforms, which allowed them to manage some of our managed artists for a period typically ranging from 18 to 24 months. We share the revenue generated with these platforms based on agreed percentages. After conclusion of such arrangement, we will continue to manage the artists on an exclusive basis.

For more details about the business model of our artist management business, see "Business—Our Business—Artist Management."

- ***Music IP production and operation.***

As many of our managed artists were trained to sing, we started our music IP production and operation business in 2009. We have established an extensive library of music IPs, comprising approximately 1,100 original music recordings and videos we produced for our managed artists, and more than 56,000 musical works we licensed from third-party copyright holders as of April 30, 2022. The musical works in our music IP library cover a diverse range of genres, including pop, ballad, electronic dance, hip hop and rock. The digital singles and albums we produced for our managed artists enjoy high popularity. As of April 30, 2022, "No Feelings (無感)" and "My Rules (我的世界守則)," two digital singles we produced for Mr. Wang Yibo, sold over 17 million and 15 million copies, respectively. "Chapter Z," a digital album we produced for Mr. Zhu Zhengting, sold approximately two million copies as of the same date. Musical works we produced for our managed artists are distributed on China's top music streaming platforms, such as NetEase Cloud Music and Tencent Music, as well as international music streaming platforms for listeners to stream or download.

In the music IP production and operation business, we generate revenue primarily from (i) licensing of our original music IPs to music service providers, (ii) sub-licensing of our licensed music IPs to music service providers, and (iii) sales of digital and physical copies of our music IPs. Our customers primarily include major music streaming platforms and telecommunication companies in China. Our cost of revenue consists primarily of production cost of music content, such as licensing fees paid to service providers who provide us with demos, music compositions and lyrics. During the Track Record Period, in addition to our in-house music production team, we engaged third parties to facilitate our music production process from time to time. For more details about the business model of our music IP production and operation, see "Business—Our Business—Music IP Production and Operation."

- ***Pan-entertainment business.***

Leveraging our industry experience in the artist management market, we have actively expanded our footprint in the pan-entertainment business, including commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise. We collaborated with a business partner to develop A-SOUL, a popular virtual artist group consisting of five digitally created members, which debuted in November 2020.

In the pan-entertainment business, we generate revenue primarily from (i) commercial development of virtual artists, (ii) variety program format licensing and (iii) sales of artist-

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related merchandise. During the Track Record Period, we collaborated with a business partner in the commercial development of A-SOUL and engaged third parties in the production and sales of artist-related merchandise.

We experienced a rapid growth 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 revenue increased from RMB341.3 million in the four months ended April 30, 2021 to RMB352.9 million in the four months ended April 30, 2022. Our profit for the year increased significantly 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. Our profit decreased from RMB110.7 million in the four months ended April 30, 2021 to RMB80.5 million in the four months ended April 30, 2022.

OUR COMPETITIVE STRENGTHS

We believe our success is attributable to the following competitive strengths:

An established artist management company in China

We are an established artist management company in China. According to Frost & Sullivan, we ranked first among artist management companies in China with a market share of 1.9% in terms of artist management revenue in 2021. Dedicated to identifying, training and promoting talented trainees to become established artists since our inception in 2009, we have built an extensive roster of established and popular artists. Our rich industry experience accumulated over a decade and our solid track record of promoting popular artists have enabled us to achieve and maintain a strong position in the artist management market.

We have meticulously designed our artist training and management system. Through years of efforts and cumulative experience, we have established a system integrating trainee development and artist operation that works well in China's entertainment market. Through providing systematic training classes to our trainees, we have successfully cultivated and promoted a continuous stream of talented new artists, which expanded and diversified our artist roster over the years. As of the Latest Practicable Date, we had 66 managed artists and had built a talent pipeline comprising 71 enrolled trainees. Thanks to their professional performing skills and strong artistic appeal, our managed artists have gained much popularity. As of the Latest Practicable Date, among our managed artists, two had more than 30 million followers each and over 20 had more than two million followers each on Weibo, a leading social media platform in China, the number of followers on which serves as an indicator of an artist's popularity in China. Alongside individual artists, we also have launched artist groups, such as UNIQ, NEXT, EVERGLOW, NAME, TEMPEST and NEVERLAND, with much success.

According to Frost & Sullivan, we are one of the first artist management companies based in China to implement a "go global" strategy and have expanded our business overseas. We established Yuehua Korea, a subsidiary in Korea, in 2014. In addition to Korea, we are committed to bringing Chinese pop culture to and promoting our brand influence in other parts of the world.

According to Frost & Sullivan, we are one of the first artist management companies to have entered the virtual artist market in China. We collaborated with a business partner to develop A-SOUL, a five-member, female virtual artist group debuted in 2020, which became an instant hit after its debut. We have also invested in a company which launched Quantum Youth (量子少年), a four-member, male virtual artist group and EOE, a five-member, female virtual artist group. We will continue to invest in the virtual artist industry and diversify our offerings.

We have also expanded our music IP production and operation by leveraging our extensive roster of managed artists, and have enlarged our music IP library. As of April 30, 2022, we had produced approximately 1,100 music recordings and videos for our managed artists, which we usually have the exclusive right to license to our customers. We believe that our multifront approach to business development, underpinned by our artist management business, is crucial for us to integrate upstream and downstream resources, and grow into a comprehensive culture and entertainment platform.

Yuehua model underpinned by systematic trainee cultivation and professional artist operation

According to Frost & Sullivan, we are one of a few companies in China that can provide systematic and professional artist training and operation services. We have established our Yuehua model, which covers the whole lifecycle of artist management, including trainee audition, artist training, artist operation and artist promotion. By providing comprehensive and high-quality training classes to our trainees, we help them grow into quality artists with strong artistic skills and sound moral character. After our trainees debut as well-rounded professional artists, we help them enhance their commercial value and bring positive social impact through our professional artist operation, which in turn further increases our brand influence.

We select trainee candidates with artistic potential through various offline and online channels. As of April 30, 2022, we were in close contact with more than 30 art schools and institutions, which recommend outstanding candidates to us. In addition, we diligently scout for trainee candidates through major singing and dancing competitions, global audition networks and social media platforms. During the Track Record Period, we received over 65,000 applications to our trainee program from China, Korea and the United States. We keep high standards in our auditions to identify the candidates that are suitable for a performing art career. In 2019, 2020, 2021 and the four months ended April 30, 2022, we entered into a trainee contract with as few as 19, 28, 50 and seven trainee candidates, respectively, with a highly selective overall acceptance rate of lower than 0.3% each year.

We are one of the first few artist management companies in China to have adopted an artist training system that had originated overseas, according to Frost and Sullivan. We have built a whole-process, integrated trainee system underpinned by our sophisticated and international trainee program and our deep understanding of China's entertainment market. We provide our trainees with a strong faculty, which is composed of members with multiple years of experience in various fields, such as singing, dancing and acting. Our artist training team designs systematic curriculums for our trainees and matches the trainees with faculty members that best suit their needs.

Under our trainee system, before making their debut as our managed artists, trainees generally need to go through a period of three years of professional training in fields such as vocal skills, dancing skills, acting skills, physique and foreign languages. We also have a code of conduct for our trainees and artists, assisting them to develop a sound moral character. As of the Latest Practicable Date, we had 66 managed artists on our roster, 55 of which were graduates of our trainee program, and 71 trainees who were currently enrolled in our trainee program.

We help our managed artists grow their career through our insights into general public's demand for entertainment and understanding of the artists' characters and talents. Our artist operation team skillfully matches different business projects, including participation in endorsement deals, business promotion activities and other commercial events, and performance of musical works, variety programs,

drama series and movies, for our managed artists, to enhance their commercial value. Our artist promotion team, which has years of experience in carrying out targeted publicity and promotional activities for artists, also assist our artists in enhancing their popularity. To prepare for their debut, we help our managed artists maximize their public exposure through multiple marketing channels. After their debut, we will assess their performance and help them adjust their career plan based on audience feedback and market demand, and provide them with follow-up training to expand their audience reach.

Our Yuehua model enables us to effectively train fresh talent into established artists. By continuously cultivating popular artists, we have increased our brand influence. Our strong brand awareness in turn enables us to acquire new customers and attract top talent in the market, integrate industry resources and provide support for the debut of our trainees in the future.

Extensive, diversified and longstanding cooperation with business partners

Building on our core artist management business, we continuously enhance the influence of our Yuehua brand and our managed artists. Through forming close cooperative relationships with various industry players, including leading media platforms and music service providers, we have established multiple channels to arrange our managed artists to perform in quality entertainment content, effectively promoting our managed artists to wider audiences.

We arrange our managed artists to perform in a broad array of variety programs broadcast on leading online video platforms in China, such as iQIYI, Youku, Tencent Video and Mango TV. During the Track Record Period, Mr. Wang Yibo starred in “Street Dance of China 2020 (這！就是街舞第三季)” and “Street Dance of China 2021 (這！就是街舞第四季),” two variety programs broadcast on Youku; Ms. Cheng Xiao starred in “One More Try (極限青春),” a variety program broadcast on Tencent Video; Ms. Wu Xuanyi starred in “The Romance (戀戀劇中人),” a variety programs broadcast on iQIYI; Mr. Huang Minghao participated in “Who is the Murderer (明星大偵探),” a variety program broadcast on Mango TV. In addition to variety programs, drama series starring our managed artists, such as “Luoyang (風起洛陽),” “Lie to Love (良言寫意)” and “Sweet Teeth (世界微塵裏),” have also gained enormous popularity and were broadcast on such platforms. During the Track Record Period, several drama series starring our managed artists each achieved a total view count of over a billion, according to Frost & Sullivan.

We have also established multiple channels to reach our target audience and distribute entertainment content we created through burgeoning short video platforms, such as Douyin and Kuaishou. Our managed artists often publish their short videos and attend live streaming events on such platforms to promote the products or brands they endorse, or the movies, variety programs or drama series in which they played a role. Through building a strong presence on these video-sharing social media platforms, we have effectively enhanced the popularity of our managed artists and boosted their organic social media reach.

In addition, drama series and variety programs starring our managed artists have been broadcast on various leading satellite TV networks in China during the Track Record Period, such as Hunan Satellite TV, Zhejiang Satellite TV, Dragon Satellite TV, Jiangsu Satellite TV and Beijing Satellite TV. Many of the drama series and variety programs in which our managed artists participated achieved high viewership ratings and several of them obtained a viewership rating higher than one percent during the Track Record Period, according to Frost & Sullivan. We believe our cooperation with satellite TV networks is an important channel to enable our managed artists to reach a nationwide audience.

Musical works we produced for our managed artists have been widely popular on major music streaming platforms in China, such as NetEase Cloud Music and Tencent Music, and have been distributed on various international music streaming platforms. To develop our music IP production and operation business, we have built and maintained longstanding cooperation with major music service providers in China. We tailor musical works for our managed artists to meet market demand and match the artists' market positioning. We also obtain license of musical works from copyright holders to expand and diversify our music IP library. We license the musical works in our music IP library to major music service providers for licensing fees and royalties. We also cooperate with music service providers in promoting the musical works we produced for our managed artists both online and offline, to market our musical works and reach a broader audience.

Together, our cooperation with the diverse media platforms has created an effective network for us to generate publicity for our managed artists and enhance our brand value.

Established Yuehua brand image underpinned by corporate social responsibility

Since our establishment, fulfilling corporate social responsibility has been our core value and a cornerstone of our long-term growth. Creating positive social impact has become part of our corporate culture and has helped us created a positive brand image. For example, we and our managed artists participated in the relief efforts during the torrential rain floods in Henan Province in 2021. We also worked with our business partners and charities to donate personal protective equipment to frontline workers during the COVID-19 pandemic. Inspired by our corporate culture, our managed artists also have a strong sense of social responsibility and endeavor to make contributions to society through their performing art careers.

We actively secure performing opportunities that allow our managed artists to make positive social impact through music, movies, drama series, variety programs and other entertainment products and services. For example, during the Track Record Period, Mr. Wang Yibo starred in the drama series "Faith Makes Great: Choice (理想照耀中國之抉擇);" Mr. Zhu Zhengting starred in the drama series "Floating Youth (冰球少年);" and Mr. Wang Xi performed the song "A Long Separation (漫長的告別)."

We have also cooperated with many charitable organizations so that our managed artists can use their influence to increase public awareness of important issues such as environmental protection. For example, Mr. Wang Yibo served as an ambassador for a wildlife preservation organization; Mr. Han Geng, Mr. Li Wenhan and Mr. Hu Chunyang served as volunteers for environmental protection organizations.

In addition, we encourage our managed artists to promote the sport spirit to the public. For example, Mr. Wang Yibo served as an ambassador for a sports organization to promote skateboarding and performed songs, such as "Flying Winter (冬夢飛揚)," as tributes to sports events; Mr. Huang Minghao cooperated with sports organizations to promote winter sports; Mr. Zhu Zhengting participated in the "Postcard of Love (愛的明信片)" event to show support and welcome for athletes who came to China to attend sports events.

We will continue to encourage our managed artists to actively participate in charitable events, using their public influence to bring positive energy to society. We believe our positive corporate culture with its strong emphasis on social contribution is a key to aligning the commercial value of our managed artists with the need of the society, helping us achieve long-term and sustainable growth.

Visionary and experienced management team and resourceful investors

Our success is largely attributable to our visionary founder, Ms. Du Hua, our professional and experienced management team, and our resourceful investors.

Ms. Du, our founder and chief executive officer, founded our Company in 2009. In 13 years, we have grown into a well-known artist management company under her leadership. Ms. Du, with her insights into the artist management market and her extensive knowledge of the trainee systems, established our artist management system that fits well with China's entertainment market. We are a pioneer of operating professional trainee programs in China, according to Frost & Sullivan, and we soon become a market leader. By continuously building our Yuehua brand and integrating various industry resources, Ms. Du is committed to turning our Company into the cradle of quality artists. In August 2014, Ms. Du officially founded Yuehua Korea, marking the start of our overseas expansion. With extensive experience in artist management, Ms. Du was invited to participate as a judge in the first two seasons of the phenomenal variety program, "Sisters Who Make Waves (乘風破浪的姐姐)," further enhancing our brand recognition in front of nationwide audiences.

Our professional and experienced management and business team is critical to our success. We attach great importance to the stability of our key management team and the recruitment of new talent. With a high degree of professionalism and rich industry insights, a majority of the members of our senior management has on average approximately 11 years of experience working in the entertainment industry and had on average worked for our Company for more than six years as of April 30, 2022.

In addition, we introduced CMC, Quantum Jump and Dongyang Alibaba Pictures, respectively, in 2014, 2018 and 2020, as our investors. Leveraging their market-leading position in their respective fields, the investors can provide us with premium industry resources and strong support for our future development.

OUR STRATEGIES

Our business objectives are to maintain and reinforce our leading position in China's artist management market, further diversify our business model and expand the customer reach. To achieve our business objectives, we intend to leverage our competitive strengths and implement the following strategies.

Solidify our advantage by increasing the quality and quantity of our managed artists

We plan to enhance our core capabilities of artist training by establishing our own artist training center. The new artist training center is designed to provide quality training facilities and a pleasant training environment for our trainees and managed artists. By operating our own training center and tailoring it for the needs of our trainees and artists, we could increase the scale and efficiency of our training programs.

We plan to spend approximately 24.0% of the net proceeds from the Global Offering, or HK\$216.1 million, for the purchase and renovation of the artist training center. For details, see "Future Plans and Use of Proceeds."

Leveraging our professional and systematic Yuehua trainee program, we will continue to expand our roster of trainees with artistic potential. We plan to deepen our cooperation with art schools

and institutions, set up new trainee audition channels, and increase the scale and frequency of trainee auditions, in order to improve our ability to identify and select talented candidates. We also plan to further expand our trainee audition network overseas and discover candidates from various cultural backgrounds. To provide quality training for an increasing number of trainees, we will continue to recruit experienced professionals to ensure the quality and enhance the efficiency of our trainee program.

We plan to continue to enhance our artist operation capabilities to help boost the popularity and commercial value of our managed artists. We will continue to provide our managed artists with follow-up training based on market feedback and our understanding of their artistic skills and talents, to help them grow further. For example, for artists who have demonstrated talent or strong interest in music, we will help them produce digital singles or albums to develop a music career. For artists who have already had an established career in variety programs, we will also provide them with opportunities to perform in movies or drama series to expand their career. In addition to the artist groups we have launched so far, which all feature dancer-singers, we also successfully launched a band as a fresh alternative. By assisting the artists to strengthen their artistic skills and realize their full potential, we can effectively support their career development. We also place importance on helping our managed artists develop sound moral character, in order to help them build a positive public image.

We also plan to increase our efforts in marketing and promoting our managed artists as well as recent debutants. As public exposure is critical for maintaining and enhancing the commercial value of an artist, we will make tailored promotion strategies for our managed artists and utilize various online and offline marketing channels to enhance their public exposure.

Further expand our music IP library

We will continue to develop our music IP production and operation business and reinforce our market-leading position in the entertainment industry. China's digital music market is growing rapidly and users' willingness to pay for quality musical content continues to increase, according to Frost & Sullivan. We plan to increase our investment in building our library of music IPs, boost our production and distribution of digital music, and continue to acquire music copyrights.

In particular, we will continue to produce digital singles and albums for our managed artists who have developed a music career. We will deepen our understanding of the music taste of our target audiences by conducting more market research and analysis, and ensure that our musical works are in high quality and able to showcase our managed artists' artistic talent and appeal, further promoting and strengthening their performing art career. We will also continue to produce physical copies of our musical works, such as physical albums for our managed artists, to meet market demand.

In addition to producing our own musical works, we intend to obtain the copyrights of quality musical works from copyright holders. We have formed cooperative relationships with international music copyrights companies and have acquired the right to sublicense their musical works to our customers. We believe acquiring licenses of such musical works with commercial potential can help us enrich our music IP library to cater to a wider group of listeners.

Together, our self-produced and licensed musical works will help us expand our music IP library with quality songs and albums in a variety of different genres and styles, allowing us to cater to our targeted audiences' different music tastes.

We intend to spend approximately 20.0% of our net proceeds from the Global Offering, or HK\$180.1 million, to expand our music IP library. For details, see “Future Plans and Use of Proceeds.”

Continue to diversify our business model and build a comprehensive culture and entertainment platform

To provide audience with onsite entertainment experience and diversify our service offerings, we plan to build a Yuehua-themed, multi-functional entertainment center, where visitors can take lessons in performing art, participate in offline entertainment events, and interact with our managed artists or virtual artists in metaverse spaces through the use of augmented reality and virtual reality. In addition, visitors can enjoy meals and purchase artist-related merchandise in themed restaurants and cafés to have a fun and memorable leisure experience. We intend to spend approximately 8.0% of the net proceeds from the Global Offering, or HK\$72.0 million, for establishing our Yuehua-themed entertainment center. For details, see “Future Plans and Use of Proceeds.”

The increasingly influential animation, comics and games, or ACG culture, and its related markets have drawn our attention to the commercial value of virtual artists. We plan to increase our investment in the operation and commercial development of virtual artists, and generate more profit-realization opportunities through live stream events, virtual concerts, endorsement deals and artist-related merchandise.

We intend to spend approximately 10.5% of the net proceeds from the Global Offering, or HK\$94.6 million in the development of virtual artists. For details, see “Future Plans and Use of Proceeds.”

Explore the overseas market and expand our global footprint

We will continue to explore the overseas market and promote our managed artists globally. We plan to market and promote our managed artists, work with local media platforms and content producers, and explore new business opportunities overseas. In an increasingly global entertainment market, our “go global” strategy will help enhance our competitiveness, reach a larger audience overseas and bring Chinese pop culture to the world.

We will continue to build our team in Korea and enhance the artist operation capacities of Yuehua Korea through recruiting more professional instructors, establishing business cooperation with leading content producers and media platforms in Korea. Yuehua Korea can provide strong support for our managed artists in their debut and perform in quality entertainment content overseas. Also, we are training fresh talent locally in Korea, which can expand our managed artist roster and make it more international. By turning Yuehua Korea into our overseas base for overseas development, we expect to enhance the influence of our managed artists as well as our Yuehua brand.

In addition to Korea, we plan to pursue business opportunities in other parts of the global market, such as Southeast Asia, Japan and the United States, mainly through cooperating with overseas media channels and entertainment event companies. We plan to reach target audiences in these markets through ways such as (i) promoting our managed artists and the works in which they performed through popular overseas media channels, such as TikTok and YouTube; (ii) working with overseas entertainment event companies to organize concerts and other entertainment events to enable our managed artists to interact with overseas audience in person; (iii) publish musical works that are

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tailored for the overseas audience; and (iv) recruit talent from an international background to become our trainees and managed artists. We will follow the laws and regulations, as well as common practices, in these market.

Southeast Asian countries are also an important market for our “go global” strategy. We will continue to expand our business outreach in Southeast Asia by arranging more offline activities to help our managed artists reach a wider audience after travel restrictions are eased.

We intend to spend approximately 5.0% of our net proceeds from the Global Offering, or HK\$45.0 million, on our overseas expansion. For details, see “Future Plans and Use of Proceeds.”

Continue to recruit and retain talented professionals for our business and management teams

We plan to expand our business team and recruit talented professionals for our major business lines. As talent is key to our long-term growth, we plan to upgrade our talent recruitment, development, incentive and promotion system to attract top talent in the market and provide a clear career path for employees. We also plan to enhance our operational efficiency through improving our management system.

OUR BUSINESS

We primarily engage in artist management in China and our business covers the whole lifecycle of artist management, including artist training, artist operation and artist promotion. Building on our extensive roster of high-quality artists, we further expand our business in related fields, including music IP production and operation, and pan-entertainment business.

We generate revenue from the following business lines:

- *Artist management.* We primarily generate revenue from providing services to customers by arranging our managed artists to (i) participate in commercial activities, such as endorsement deals, business promotion events and commercial performances; and (ii) provide entertainment content services, such as performing in movies, drama series and variety programs.
- *Music IP production and operation.* We generate revenue from licensing our music IPs to music streaming platforms and other music service providers, and selling digital and physical copies of our music IPs.
- *Pan-entertainment business.* We generate a small portion of our revenue from other businesses in the pan-entertainment business, such as commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise.

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The table below sets forth a breakdown of our revenue by business line both in absolute terms and as a percentage of our total revenues for the periods indicated.

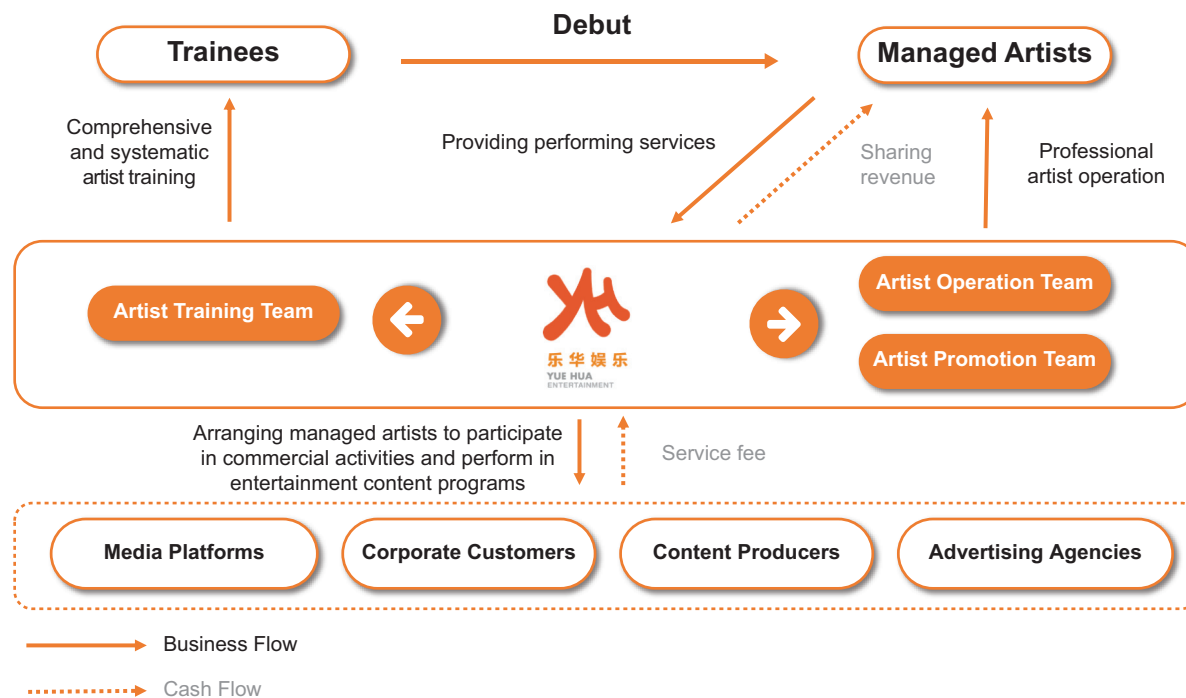
	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
(RMB in thousands, except for percentages)										
(Unaudited)										
Artist management . . .	530,228	84.0%	808,241	87.7%	1,174,842	91.0%	307,856	90.2%	316,690	89.8%
Music IP production and operation	74,734	11.8%	92,719	10.0%	77,738	6.1%	26,056	7.6%	26,239	7.4%
Pan-entertainment business	26,474	4.2%	21,082	2.3%	37,869	2.9%	7,378	2.2%	9,970	2.8%
Total Revenue . . .	631,436	100.0%	922,042	100.0%	1,290,449	100.0%	341,290	100.0%	352,899	100.0%

Artist Management

We provide services to our customers, including corporate customers, media platforms, content producers and advertising agencies by arranging our managed artists, to carry out endorsement and promotion activities for brands, and perform in various types of entertainment content programs. We have built a business model that covers the entire artist management value chain on a large and fast-growing customer base. We select and train talented trainees to become our managed artists and provide them with management and promotion services. After they make their first public appearance as artists, or debut, we make arrangements for them to provide services to a wide array of customers, including media platforms, content producers, corporate customers and advertising agencies. Corporate customers and advertising agencies, many of whom are well-known international and domestic brands, engage our managed artists for endorsement deals and business promotion events. Media platforms and content producers engage our managed artists to perform in movies, drama series and variety programs.

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The following chart sets out the relationship and roles of the respective players in our artist management business.



We have professional teams to carry out business development, artist training and artist promotion for our managed artists to generate commercial opportunities. Our artist operation team is responsible for business development, assigns the projects they secured to our managed artists and assist the artists in a wide range of tasks. Our artist training team runs our Yuehua trainee program, which serves as our talent pipeline. Our artist promotion team manages the public image of our managed artists and help raise their public recognition.

Our Artists

We have built a professional and diverse team of managed artists in China and Korea. As of the Latest Practicable Date, among our managed artists, two had more than 30 million followers each and over 20 had more than two million followers each on Weibo, a leading social media platform in China, the number of followers on which serves as an indicator of an artist's popularity in China. We also had 71 trainees who were enrolled in our trainee program as of the Latest Practicable Date, who are under professional training for a performing art career. 55 of our 66 managed artists are graduates of our trainee program. The diverse group of artists and the constant replenishment of new talent enable us to meet market demand at all levels and achieve sustainable growth.

With our managed artists, we normally enter into exclusive artist management contracts with terms ranging from five to 15 years, typically with an automatic renewal term. As of the Latest Practicable Date, all of our artist management contracts with our 66 managed artists remained effective. With our trainees, we typically enter into exclusive trainee contracts with a term of generally three years.

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The table below sets forth certain of our managed artists, each with over two million followers on Weibo as of the Latest Practicable Date (in the order of the number of followers).

Artist



Mr. Han Geng (韩庚)

Weibo followers: Approximately 53,200,000

Graduate of Yuehua trainee program: No

Years of relationship: 12 years

Initial term of artist management contract: May 2010 - May 2013, which has been renewed four times for three, four, two and two years respectively, until June 2024



Mr. Wang Yibo (王一博)

Weibo followers: Approximately 39,700,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Ten years

Initial term of artist management contract: October 2014 - October 2022, which has been renewed once for four years until October 2026



Ms. Meng Meiqi (孟美岐)

Weibo followers: Approximately 27,100,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Nine years

Term of artist management contract: February 2016 - February 2026, with an automatic renewal term of one year



Mr. Fan Chengcheng (范丞丞)

Weibo followers: Approximately 25,900,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Six years

Term of artist management contract: April 2018 - April 2023

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Artist



Mr. Huang Minghao (黄明昊)

Weibo followers: Approximately 24,900,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Six years

Term of artist management contract: April 2018 - April 2028, with an automatic renewal term of two years



Ms. Wu Xuanyi (吴宣仪)

Weibo followers: Approximately 24,500,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Nine years

Term of artist management contract: February 2016 - February 2026, with an automatic renewal term of one year



Mr. Zhu Zhengting (朱正廷)

Weibo followers: Approximately 23,900,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Seven years

Term of artist management contract: October 2016 - April 2028, with an automatic renewal term of two years



Mr. Li Wenhan (李汶翰)

Weibo followers: Approximately 14,000,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Ten years

Term of artist management contract: October 2014 - October 2024, with an automatic renewal term of one year

BUSINESS

Artist



Ms. Cheng Xiao (程瀟)

Weibo followers: Approximately 12,200,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Nine years

Term of artist management contract: February 2016 - February 2024, with an automatic renewal term of one year



Mr. Bi Wenjun (畢雯珺)

Weibo followers: Approximately 11,100,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Five years

Term of artist management contract: April 2018 - April 2028, with an automatic renewal term of two years



Mr. Huang Xinchun (黃新淳)

Weibo followers: Approximately 6,500,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Five years

Term of artist management contract: April 2018 - April 2028, with an automatic renewal term of two years



Mr. Hu Chunyang (胡春楊)

Weibo followers: Approximately 6,400,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Three years

Term of artist management contract: April 2019 - April 2029, with an automatic renewal term of two years

BUSINESS

Artist



Mr. Zhou Yixuan (周藝軒)

Weibo followers: Approximately 5,000,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Ten years

Term of artist management contract: October 2014 - October 2024, with an automatic renewal term of one year



Mr. Wang Xi (王晰)

Weibo followers: Approximately 5,000,000

Graduate of Yuehua trainee program: No

Years of relationship: Three years

Term of artist management contract: April 2019 - April 2024



Mr. Tang Jiuzhou (唐九洲)

Weibo followers: Approximately 3,200,000

Graduate of Yuehua trainee program: No

Years of relationship: Three years

Term of artist management contract: May 2019 - May 2029, with an automatic renewal term of two years



Ms. Xu Yating (許雅婷)

Weibo followers: Approximately 2,700,000

Graduate of Yuehua trainee program: No

Years of relationship: Three years

Term of artist management contract: March 2019 - February 2026, with an automatic renewal term of two years

BUSINESS

Artist



Ms. Jin Zihan (金子涵)

Weibo followers: Approximately 2,600,000

Graduate of Yuehua trainee program: Yes

Years of relationship: Two years

Term of artist management contract: May 2020 - May 2030, with an automatic renewal term of two years

Notes:

- (1) Years of relationship with a managed artist refers to the number of years starting from the earlier date of: (i) when the artist entered into a trainee contract with us, if such artist was a graduate of our Yuehua trainee program, or (ii) when the artist first entered into an exclusive artist management contract with us, if such artist was not a graduate of our Yuehua trainee program, and ending on the Latest Practicable Date.
- (2) For artist management contracts with upcoming expiration dates, we plan to initiate a review and renewal process on a case-by-case basis.

Our Artist Groups

We typically arrange our trainees to make their debut in small or midsize artist groups, which generally comprise five to seven members. Promoting artist groups enables us to present artists with different styles, talents and personalities, which we believe helps us attract audiences with different preferences and build a larger follower base. After artist groups debut, artists can carry out activities along with other group members or individually. As of the Latest Practicable Date, we had launched six artist groups.

The table below sets forth our artist groups as of the Latest Practicable Date.

Artist Group



UNIQ

Time of debut: October 2014

Mr. Wang Yibo (王一博)

Mr. Li Wenhan (李汶翰)

Mr. Zhou Yixuan (周藝軒)

Mr. Kim Sung-joo (金聖柱)

Mr. Cho Seung-youn (WOODZ) (曹承衍)

Artist Group



NEXT

Time of debut: June 2018

Mr. Zhu Zhengting (朱正廷)
Mr. Fan Chengcheng (范丞丞)
Mr. Huang Minghao (黄明昊)
Mr. Bi Wenjun (畢雯珺)
Mr. Huang Xinchun (黄新淳)



EVERGLOW

Time of debut: March 2019

Ms. Park Ji Won (E:U) (朴智媛 (E:U))
Ms. Kim Si-hyeon (金施賢 (SIHYEON))
Ms. Han Eunji (Mia) (韓恩智 (MIA))
Ms. Jo Se-rim (Onda) (曹世林 (ONDA))
Ms. Xu Yulin (Aisha) (許庾琳 (AISHA))
Ms. Wang Yiren (王怡人 (YIREN))



NAME

Time of debut: December 2021

Ms. Feng Ruohang (馮若航)
Ms. Jin Zihan (金子涵)
Ms. Li Jiajia (李佳佳)
Ms. Li Siyang (李思陽)
Ms. Liu Jiaxin (劉嘉欣)
Ms. Long Yunzhu (龍韻竹)
Ms. Ouyang Chengxi (歐陽澄汐)



TEMPEST

Time of debut: March 2022

Mr. Lee Euwoong (LEW) (李義雄 (LEW))
Mr. Ngo Ngoc Hung (HANBIN) (韓彬 (韓彬))
Mr. Ahn Hyeong Seop (HYUNGSEOP) (安炯燮 (炯燮))
Mr. Koo Bonhyeok (HYUK) (具本奕 (本奕))
Mr. Choi Byeongseob (EUNCHAN) (崔炳燮 (恩燮))
Mr. Song Jaewon (HWARANG) (宋在原 (火朗))
Mr. Kim Taerae (TAERAE) (金太徠 (太徠))

BUSINESS

Artist Group



NEVERLAND

Time of debut: April 2022

Mr. Fan Yaohui (Dafan) (凡耀輝(大凡))

Mr. He Mu'en (Mu'en) (赫沐恩(沐恩))

Mr. Li Yi (李逸)

Mr. Sun Shoudi (Didi) (孫首地(地地))

Mr. Wang Dongchen (Dongchen) (王東晨(東晨))

Mr. Zhang Yuze (A'ze) (張宇澤(阿澤))

Artist Operation

Our artist operation team is dedicated to coordinating our managed artists to provide quality services to our customers. They can be divided into business managers and operation managers. As of April 30, 2022, our artist operation team consisted of 55 members. In China, we had 23 business managers and 17 operation managers, each of whom has extensive experiences working with customers from various industries and artists as of April 30, 2022. The senior members of our artist operation team had on average around nine years of industry experience as of April 30, 2022. Our business managers and operation managers typically each works with one to three artists at the same time.

Business managers are responsible for sales, marketing and business negotiations. Our business managers keep in close and regular contact with our existing customers, primarily including domestic and international brands, advertising agencies, content producers and media platforms, to better understand and meet their evolving business needs. They also grow our customer base by reaching out to potential customers and explore new business opportunities through referrals. In addition, they work with our artist promotion team to identify the most suitable managed artists and artist groups for upcoming projects.

Operation managers assist business managers and our managed artists with a wide range of tasks, such as schedule coordination and general project assistance.

BUSINESS

Our artist operation covers four key processes in business activities: commercial debut, business negotiation, contract performance and feedback evaluation. The chart below illustrates the four key processes of our artist operation.



- *Commercial debut.* We contract with young talent to enroll in our trainee programs, during which we usually provide them with multiple years of training and assess their progress in performing skills regularly. Trainees who have successfully finished their training and passed the assessments will enter into an exclusive artist management contract with us and debut in the market as our managed artists. They usually make their debut by releasing musical works or performing in variety programs, movies and drama series. In addition to graduates of our trainee program, we also from time to time contract with artists who are not graduates of our trainee program.
- *Business negotiation.* Our business managers keep in close and regular contact with customers to source projects such as endorsement deals and opportunities to participate in content production. Once they find a project that appears to be a good match for a managed artist or artist group, they will recommend the artist or the artist group to the customer, negotiate key terms of cooperation and coordinate the process. Because of the strong reputation of our managed artists, customers also actively approach us to engage our managed artists for their projects.
- *Contract performance.* Our operation managers coordinate with customers and facilitate our managed artist to perform his or her obligations and coordinate the artist's schedules. They also keep track of the performance of each contracting party, and take proper measures when the contracting party breaches the contract. We arrange our staff to accompany the managed artist onsite and provide the artist with personal assistance, and our artist promotion team will arrange for media coverage and follow the publicity for the project.
- *Feedback evaluation.* Our business managers contact customers on a regular basis, actively soliciting feedback to assess project effect and customer satisfaction. They work closely with our artist promotion team to evaluate whether a project has a positive impact on the artist's public image and has enhanced the artist's popularity. They take into account whether the performances given by the artist or the products endorsed by the artist meet market demand and audience preference in their evaluation. The result of the evaluation will be used to adjust and improve our artist management services.

BUSINESS

Cooperation with Certain Media Platforms

During the Track Record Period, we had entered into cooperation agreements with certain leading Chinese media platforms such as iQIYI, Youku and Tencent, which allow them to carry out artist management for some of our managed artists who participated in idol development variety programs produced by these platforms within a specified term, typically ranging from 18 to 24 months. We decided to cooperate with such platforms as the variety programs they produced provided a debut platform for some of our trainees and we could further benefit from their media resources to enhance the popularity and commercial value of our managed artists. Under such arrangement, the platforms, or their appointed entities, will either (i) have the exclusive right to manage the artists; or (ii) jointly manage the artists with us, during the cooperation period. We will discuss with the platforms on whether to manage the artists on an exclusive basis or joint basis. The platforms, as the producer of such variety programs, will have the final decision. We share the revenue generated from the artists' business activities with these platforms based on an agreed ratio during the term of the contracts. After the conclusion of such arrangement, we will again manage the artists on an exclusive basis pursuant to our artist management contracts with them.

Exclusive Management by Platform

During the Track Record Period, we had entered into cooperation arrangements with three media platforms, under which the media platforms have the exclusive right to manage the artists during the term of the relevant cooperation agreements. The respective term of the agreements is (i) from May 2018 to June 2020, (ii) from December 2018 to October 2020, and (iii) from December 2020 to November 2022. Below are the salient terms of the cooperation agreements:

- *Exclusive management.* The platform, or its appointed entities, has the exclusive right to manage the artist's business activities during a fixed term. The artist will join an artist group managed by the platform during this period.
- *Performance requirement.* The platform shall: (i) produce a certain number of musical works, (ii) obtain a certain number of endorsement deals, and (iii) arrange a certain number of concerts for the managed artist, either for the artist as an individual or as a member of an artist group managed by the platform.
- *Artist promotion services.* The platform is responsible for providing artist promotion services and follow-up training to promote the artist's career.
- *Revenue sharing.* The platform will collect all revenue generated from its operation of the artist and, after deducting relevant expenses, tax and surcharges, share the revenue with us according to percentages set out in the agreement. The revenue we receive from the platform is included as part of our revenue from artist management business. We will then allocate the revenue we receive from the platform to our managed artist pursuant to the percentages also set out in the agreement.

The table below sets forth the aggregate amount of revenue we received from the media platforms pursuant to our cooperation arrangements during the Track Record Period.

	<u>For the year ended December 31,</u>			<u>For the four months</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>ended April 30,</u>
	<u>2022</u>			
	(RMB in thousands)			
Revenue received from platforms	<u>46,957</u>	<u>27,616</u>	<u>1,759</u>	<u>5,269</u>

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Joint Management with Platform

During the Track Record Period, we entered into cooperation arrangements with two media platforms, under which the media platforms and we have the joint right to manage the artists during the term of the cooperation agreements. The respective term of the agreements is (i) from April 2018 to October 2019 and (ii) from August 2020 to August 2022. Below are the salient terms of the cooperation agreements:

- *Joint management.* The platform, or its appointed entities, manage the artist’s business activities with us on a joint basis during a fixed term. The artist will join an artist group managed by the platform during this period. For arrangement (i), the relevant artists acted as a member of two artist groups, one managed by us and one managed by the platform. During our cooperation with the platform, the artist mostly attends business projects as a member of our artist group.
- *Revenue sharing.* Each party will collect the revenue generated from its operation of the artist, and share the revenue with the other party according to percentages set out in the contract, after deducting the relevant expenses, tax and surcharges. We will then allocate (i) the revenue we receive from the platform; and (ii) the remaining portion of our revenue received from customers after we pay to the platform, to our managed artist in accordance with the percentages set out in our artist management contract with the artist. The revenue we allocate to the platform when the artist acts as a member of the artist group or a solo artist managed by us is recorded as our cost of revenue. The revenue we receive from the platform when the artist acts as a member of the artist group managed by it is recorded as our revenue from artist management business.
- *Pricing.* The contract sometimes also sets out the minimum prices that apply to endorsement deals and concerts deals parties negotiated for the artist.

The table below sets forth the aggregate amount of revenue we received from the media platforms, as well as the revenue we allocated to the platform, pursuant to our cooperation arrangements during the Track Record Period.

	For the year ended December 31,			For the four months ended April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Revenue allocated to platforms	42,775	—	—	—
Revenue received from platforms	1,756	345	587	—

The NRTA issued the Notice on Emphasizing the Management and Regulation of Entertainment Programs and Related Personnel (《關於進一步加強文藝節目及其人員管理的通知》) (the “Notice”), which came into effect on September 2, 2021 and prohibited the broadcast of variety programs in the idol development genre. To comply with this notice, Chinese media platforms shall cease broadcasting variety programs in such genre and thus we will not enter into any similar cooperation arrangement with them. After the Notice came into effect, our managed artists had not participated in any idol development programs. Under two existing cooperation agreements, certain of our managed artists still carry out business activities as members of artist groups managed by the platforms, such as participating in commercial activities. Although the Notice prohibited the broadcast of idol development programs, it does not prohibit artists who had participated in such programs to carry out business activities. Both existing cooperation agreements will expire in 2022.

BUSINESS

Business Activities

The members of our artist operation team have extensive experience working with corporate customers, advertising agencies, content producers and media platforms who need performing services. Because of their extensive experience and industry expertise, we are frequently engaged by customers for the performing services of our managed artists. Typically, our managed artists participate in two types of business activities: commercial activities and entertainment content services.

Commercial Activities

We arrange our managed artists to participate in various commercial activities at the request of our customers, including endorsement deals, business promotion activities and other commercial activities.

- *Endorsement deals.* We negotiate and enter into endorsement deals with a wide array of well-known international and domestic brands. We carefully identify the managed artists who are good fits for the customers' products or services, taking into consideration factors such as the artists' market position, image, interests, and past and current endorsements. We then arrange our managed artists or artist groups to serve as brand ambassadors and help promote the brands, including licensing their names, images and likenesses to create marketing and promotional materials, and arranging them to attend relevant promotional activities and appear in commercials. During the Track Record Period, we entered into endorsement deals with companies in a broad array of industries, such as personal care, sporting goods, consumer electronics, automobile, home appliances, fashion brands and telecommunications.
- *Business promotion activities.* We arrange our managed artists to participate in various business promotion activities of our corporate customers, such as social media marketing, livestream ecommerce and offline business promotion events. Because of our managed artists' popularity, their attendance in such events can attract much attention, thus creating value for the customers.
- *Other commercial activities.* In addition, we are engaged by customers in various industries and arrange our managed artists to render performing services in entertainment events, such as galas, festivals and ceremonies, organized and produced by the customers. During the Track Record Period, our managed artists attended various high-profile commercial performances, such as the "Tmall 11.11 Countdown Gala Celebration (天貓雙11狂歡夜)." We also organize, co-produce and co-invest in tours and concerts for our managed artists, typically in collaboration with third parties. Alternatively, we license the right to third parties to produce such performances. During the Track Record Period, we organized a series of highly popular tours and concerts, such as the "2021 Yuehua Family 12th Anniversary Concert (2021樂華十二周年家族演唱會)," the "2019 Yuehua Family 10th Anniversary Concert (2019樂華娛樂十周年紀念演唱會)" and the "2019 'NEXT TO YOU' World Tour Concert (2019樂華七子NEXT世界巡迴演唱會)."

Entertainment Content Services

Our artist management team has established close cooperative relationships with various content producers and media platforms, and actively identify opportunities where our managed artists can perform in quality entertainment content. Our managed artists have starred in a wide selection of movies, drama series, variety programs and public performances, and have gained national fame.

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The table below sets forth the number of contracts we entered into during the Track Record Period to arrange our managed artist to perform in various types of entertainment content.

	For the year ended December 31,			For the four months ended April 30,
	2019	2020	2021	2022
Movies	9	5	9	4
Drama series	23	26	30	9
Variety programs	70	122	99	37

We recognize revenue from artist management business when the relevant services are provided to customers either over a fixed contract period of an endorsement deal or over a scheduled production period of movies, drama series or variety programs, or at the point in time when the artists attend business promotion activities and other commercial activities. We recognize our share of revenue and cost on a gross basis.

Exclusive Artist Management Contract

We enter into exclusive artist management contracts with trainees who successfully graduate from our training program before they make their debut. Once they become our managed artists, we are entitled to engage them in various projects where the artists will provide their performing services to customers. We also provide our managed artists with career planning service to help them grow their performing art careers, and with daily administration services such as travel arrangement, scheduling and personal assistance.

The key terms of our exclusive artist management contracts are as follows:

- *Term.* The term of our artist management contracts typically varies from five to 15 years.
- *Renewal.* The artist management contracts will generally be automatically renewed for a term ranging between one and five years, unless agreed otherwise by both parties.
- *Our rights and obligations.* We have the exclusive right to manage the artists' business activities and represent them in legal issues relating to their performing art careers. We have the obligation to assist them in developing and promoting their performing careers.
- *Artists' rights and obligations.* Our managed artists will complete the projects we assigned to them, including providing performing services to our customers through participating in commercial activities and providing entertainment content services. In return, they are entitled to receive part of the income generated from their performing activities during the term of the contracts.
- *Revenue allocation.* Typically, all of the revenue generated during the term of the contracts (after deducting expenses we have incurred in training and managing the artists) will be shared between the artists and us according to percentages set out in the artists' contracts, which typically vary according to the type of service the artists rendered and the length of time the contracts have been executed. Generally, the artists' portions will increase as the time passes, according to time schedules as agreed on in the contracts. During the Track Record Period, the percentage of revenue allocated to our managed artists ranges between 30% to 80%.
- *Expenses sharing.* We typically share with our managed artists certain operation expenses we incurred in managing their activities, including tax and expenses of costume, styling,

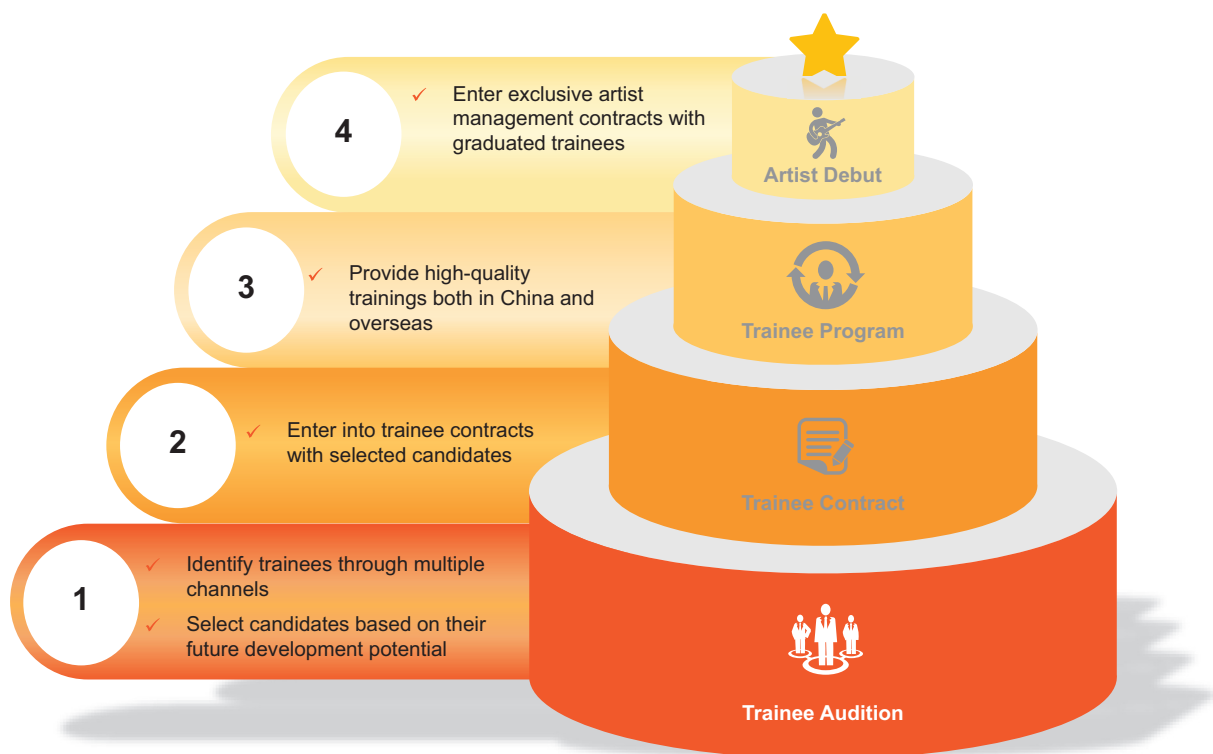
traveling, accommodation, insurance, security, legal service and promotion service. We share such expenses with our managed artists pursuant to the percentages of revenue allocation set out in the artists' respective contract. Managed artists in China who are graduates of our trainee program also share the expenses we incurred during the artist's training period. See "—Trainee Contract—Expenses Sharing." In determining the revenue to be allocated to an artist, we typically deduct (i) the operation expenses to be shared by the artist and us, and (ii) the training expenses to be shared by the artist and us, if such artist is a graduate of our trainee program, from our revenue attributable to such artist. We will then share the remaining revenue with the artist pursuant to the allocation percentage in the relevant contract, which is recognized as our cost of revenue. According to Frost & Sullivan, our expenses sharing arrangement with our managed artists are in line with the industry norm.

- *Exclusivity.* We serve as the artists' sole personal representative with respect to their performing art career for the term of the agreements.
- *IP rights.* We typically own, or otherwise have a perpetual and exclusive license of, all intellectual property rights in the works our managed artists created, such as musical, dramatic and artistic works, created during the term of the artist management contracts, unless otherwise provided in our contracts with our customers.
- *Morals clause.* We have the right to terminate the contract and claim for damages if an artist commits misconduct that might negatively affect our reputation.
- *Confidentiality and non-compete.* The parties agree that they shall keep confidential the terms of the contract. In addition, the artists agree that they shall keep confidential our trade secrets, including but not limited to information in relation to our business operation and financial performance. There is no non-compete obligations on the artist.
- *Termination.* The artist management contract can be terminated early if mutually agreed by both parties, or unilaterally by us upon breach by the managed artist.

According to Frost & Sullivan, it is an industry norm for artist management companies to enter into artist management contracts, rather than employment contracts, with the artists they manage. The relationship between an artist management company and an artist is normally a business cooperation relationship, not an employment relationship, because the artist does not work for the management company in return for salaries or wages. Instead, the management company represents, promotes and sell works of the artist through a business cooperation relationship with the artist. In line with the industry norm, we had entered into artist management contracts with all of our managed artists as of April 30, 2022.

Artists Training

Our artist training team consisted of 35 professionals with expertise in talent scouting and arranging arts training as of April 30, 2022. They are responsible for discovering and selecting talented candidates for our trainee program, which is key to our growing pool of fresh talent. They arrange comprehensive training in vocal, dance and acting skills, as well as etiquette and media interaction skills for our trainees. They also collaborate closely with our artist management team to provide assistance to our trainees during their business activities, such as scheduling and arranging business trips and styling services for the trainees. Below is a chart of the key steps of our artist training process.



Trainee Scouting

We select our trainees through auditions. As of April 30, 2022, we cooperated with more than 30 art schools and institutions to hold trainee auditions on and off campus. To find suitable trainee candidates, we have established various online and offline channels to scout talent for our trainee auditions:

Online Channels

- *Online application.* Applicants can send us their applications online and we will select the applicants to participate in our auditions.
- *Online talent competitions.* We are in regular connection with the organizers of online talent competitions, who recommend competitors to participate in our auditions.
- *Social media scouting.* We actively look for new talent on various social media platforms, including but not limited to Weibo, Douyin and Xiaohongshu, and send invitations to participate in our auditions.

Offline Channels

- *Offline talent competitions.* We hold offline talent competitions both inside and outside China and select participants for auditions.
- *College entrance exams for art majors.* We routinely scout for trainee candidates among those who participate in the college entrance exams for art majors.
- *Cooperation with art institutions.* We are in regular contact with a selection of art institutions and select audition candidates from the students enrolled or recent graduates.

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- *Employee referrals.* We also accept referrals from our employees to further diversify our sourcing channels.

Trainee Audition

During the audition process, we will ask candidates to perform their acts in a small group setting. We will carefully assess the artistic talent and skills, personality, appearance, aptitude and interest in performing art career of each candidate through multiple rounds of audition. We will also record the candidates' performance for further review and evaluation. Those who pass the audition will be offered a chance to join our trainee program.

Our trainee program has a large candidate pool and rigorous admission standards. We received over 65,000 applications to our trainee program around the globe during the Track Record Period. Of these applicants, 19, 28, 50 and seven were offered the opportunity to join our trainee program in 2019, 2020, 2021 and the four months ended April 30, 2022, respectively, representing an annual acceptance rate of lower than 0.3%. The majority of our trainees at the time of enrollment ranged between 16 to 18 during the Track Record Period. We may also accept trainees who aged less than 16 from time to time, provided that we have obtained the consent of the trainee's guardians, who will also sign the trainee contracts as a party. As of the Latest Practicable Date, we maintained a pool of 71 trainees with artistic potential and strong interest in performing art career.

Trainee Program

The training process typically lasts for three years and involves training in areas including vocal, dancing and acting. Our trainees usually attend school for academic studies at the same time. We provide accommodation for all of our trainees when they are enrolled in the program, and our artist training team provides guidance and assistance to the trainees on a daily basis.

Program Structure

Our trainee program can be divided into three phases: basic training, advanced training and debut training. Trainees are evaluated on an on-going basis and can only progress to the next phase of training after they pass the evaluation for the current phase.

- *Basic training.* Basic training focuses on singing, dancing and physique training. Trainees are evaluated on a weekly basis during this phase. Only trainees who have fulfilled the requirements of basic training can enter the advanced training phase.
- *Advanced training.* During the advanced training phase, trainees will also take foreign language classes and music appreciation classes. During this phase, trainees are evaluated on a monthly basis. Typically, our artist training team will propose the idea of forming a new artist group, choose potential candidates who may join the group, and let them enter the debut training stage.
- *Debut training.* Trainees who are considered for joining a new artist group will receive debut training. Debut training covers posture training, musical instrument, music composition and acting in addition to the courses provided in the advanced training phase. In particular, trainees are required to master the performance of the musical works to be released at their debut, both the singing and the dancing parts. In addition, trainees will also learn how to skillfully communicate with and present themselves in front of the public. Debut training usually lasts about one year.

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Selection Criteria

In assessing whether to accept a trainee as our managed artist, we consider a combination of factors, including: (i) whether the trainee has sound character and whether the trainee has committed any act which might be considered to be illegal or immoral; (ii) whether the trainee has successfully completed the training program and has the necessary skills to debut; (iii) the evaluation of our artist management team of the degree of potential the trainee has shown; and (iv) whether the trainee has a social personality and get along with the fellow trainees during the training process.

Typically, if a trainee is not accepted to be our managed artist because the trainee (i) has committed an act which might be considered to be illegal or immoral, or (ii) violated our rules and had an adverse impact on our operation of the trainee program, the trainee would be liable to us for the training expenses we have incurred and other damages. If a trainee is not selected to be our managed artist for reasons other than the above, we would terminate the trainee contract and the trainee will not be liable to us, provided that the trainee has not committed other breach under the trainee contract. In such situation, the expenses we have incurred in training the trainee will be borne by us. The trainee will still be bound by the confidentiality clause in his or her trainee contract after the termination. Yuehua Korea has contracted with its managed artists based on a standard form contract published by the Korean Ministry of Culture, Sports and Tourism. Under the standard form contract, a popular culture business, such as an artist management company, must in principle bear all expenses for a trainee's training activities. For details, see "Regulations—Laws and regulations in relation to our business in Korea." Therefore, typically, for trainees who signed their trainee contract with Yuehua Korea, the training expenses we incurred would be solely borne by us, whether the trainee is admitted to be our managed artist or not. If a trainee breached and unilaterally terminated the contract, the trainee would be liable to us for the training expenses incurred and other damages. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, there was no applicable law or regulation that mandates how the training costs should be allocated between artist management companies and their trainees or managed artists in the PRC.

The irrecoverable amount of training expenses incurred by us was approximately RMB2.7 million, RMB2.4 million, RMB2.8 million and RMB0.4 million in 2019, 2020, 2021 and the four months ended April 30, 2022, respectively, accounting for 0.8%, 0.6%, 0.4% and 0.2% of our total cost of revenue in the corresponding periods.

Overseas Training Opportunities

We set up Yuehua Korea, a subsidiary in Korea, in 2014, making us one of the first Chinese artist management companies to enter the overseas artist management market, according to Frost & Sullivan. Benefiting from the mature artist management and training system overseas, Yuehua Korea has accumulated extensive experience in selecting, training and promoting high-quality artists. It has also built a faculty with experienced members, capable of designing and implementing comprehensive training plans for trainees.

We have leveraged the rich industry resources in Korea to provide support for our trainee program, and have sent some of our trainees to Yuehua Korea to receive further training or to practice as an artist group, such as UNIQ, NEXT and EVERGLOW.

Advantages of Our Trainee Program

Our distinctive trainee program helps foster a sense of belonging among our trainees and managed artists, as they have spent several precious years of youth training, living and growing up together. The close ties among the artists and trainees serve as the foundation for us to build our Yuehua family. Our trainees and managed artists also share a distinct style as they have accompanied each other during their professional and personal growth, which is helpful for us to promote our managed artists under our Yuehua brand.

In addition, the trainee program allows us to have a positive impact on trainees' personal development through day-to-day interactions. We also have a code of conduct for our trainees and artists to help them build good habits and encourage positive behavior. These positive personality traits we help foster are critical for the trainees to grow into a mature and responsible artist and positively impact the society.

Trainee Contract

We enter into trainee contract with our trainee candidates when they enroll in our trainee program. Under the contract, the trainee grants us an exclusive right to train and prepare them for the career of an artist.

The key terms of our trainee contracts are as follows:

- *Term.* The term of our trainee contracts is typically three years, which may be extended upon mutual agreement. If the trainee is a minor, his or her guardian will enter the trainee contract on behalf of the trainee.
- *Our rights and obligations.* We shall provide the trainees with trainings in various fields, including singing, dancing and acting, and assist the trainees in their artistic development. We have the right to arrange trainings for the trainees and monitor their progress, as well as the right to arrange the trainees' business activities relating to their performing art career, if any. In general, we will not arrange for the trainees to perform in concerts or other commercial activities, unless such participation is beneficial for the trainees' development.
- *Trainee's rights and obligations.* Trainees shall complete their trainings with diligence and perform any performance projects we assign them.
- *Expenses sharing.*

During the trainee's training period, we cover all expenses incurred in relation to providing the training, including the expenses of training classes, housing, facilities, travel and arranging debuts. Such expenses are charged as our cost of revenue when they are incurred. If the trainee becomes a managed artist in China, the expenses we incurred during the artist's training period will be shared between the artist and us, typically pursuant to the revenue allocation percentages set out in the relevant artist management contract. The portion of the expenses borne by the artist will be deducted before any revenue is allocated to him or her. Therefore, when these training expenses are reimbursed by the artist pursuant to the aforementioned expenses sharing arrangement, less revenue will be allocated to the artist. Because the revenue allocated to the artist is recognized as our cost of revenue, these reimbursements are treated as a deduction from our cost of revenue. See “—Exclusive Artist Management Contract—Expenses Sharing.”

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The exact amount of expenses we incurred for the artist's training and the amount borne by the artist will be agreed on by the artist before any deduction takes place. We keep a record of all expenses incurred in relation to our trainee program during our business course, which we use to determine the amount of training expenses to be deducted from each trainee graduate who becomes our managed artist. Such amount typically includes expenses that are incurred solely for the trainee, such as arranging travel for the trainee, and expenses that are shared between trainees, such as providing training classes and producing the debut musical work for trainees in the same artist group. If a trainee is not accepted as our managed artist, such expenses will be borne by us, unless the trainee breached the trainee contract, in which case the trainee will be liable to us for the training expenses and other contractual damages. See “—Exclusive Artist Management Contract.”

- *Exclusive artist management contract.* We have the option to enter into an exclusive artist management contract with the trainees who successfully complete our trainee program. If a trainee decides not to enter into the artist management contract with us without justifiable reasons, we are entitled to liquidated damages under the trainee contract.
- *Morals clause.* We have the right to terminate the contract and sue for damages if a trainee commits any act which might be considered to be illegal or immoral.
- *Confidentiality and non-compete.* The trainees agreed that they shall keep confidential our trade secrets, confidential information in relation to our business operation and information in relation to our managed artists. There is no non-compete obligations on the trainee.
- *Termination.* We have the right to terminate the trainee contract unilaterally if we reasonably believe that the trainee is not qualified or violates our rules. In practice, a trainee can terminate the trainee contract if, despite reasonable efforts of the trainee and after consulting with us, the trainee cannot perform under the contract due to illness or accident of the trainee or the trainee's family members.

Artist Debut

We assess our trainees to select talented and promising ones to become our managed artists. We will enter into an exclusive artist management contract with trainees who have passed all the assessments and graduated successfully from our trainee program, and help them make their debut. During the Track Record Period and up to the Latest Practicable Date, we had 151 trainees enrolled in our trainee program. Among them, 48 had made their debut as our managed artists. As of the Latest Practicable Date, 71 of them were enrolled in our trainee program and they are currently preparing for debut.

To help our managed artists make a successful debut in the market, we will carefully consider their characters, aptitudes and strengths, as well as market demand. We typically arrange our managed artists to debut as artist groups, such as UNIQ, NEXT, EVERGLOW, NAME, TEMPEST and NEVERLAND. With each member playing a distinctive role in the group, artist groups usually can attract more attention from the audience. We usually launch our managed artists or artist groups by helping them release singles or albums, or participate in variety programs, to gain high media exposure and market influence.

After debut, we help our managed artists with career planning and find their area of focus, such as singing, acting or participating in variety programs, based on audience feedback and market

demand. We also encourage them to expand their reach to related fields by arranging additional professional training to help them explore new development possibilities. When we assign a project to an artist, we may consider multiple factors, such as influence on the artist's public image and the artist's career plan, to help the artist gain enduring popularity with our best effort.

Because of our professional and systematic training, many of our managed artists have had remarkable success in debuting. For example, our artist group, UNIQ, debuted in 2014 and received several high-profile awards shortly afterwards, such as “2015 iQIYI Scream Night—The Most Anticipated Artist Group of the Year (尖叫2015愛奇藝之夜—最具期待組合)” and “2016 iQIYI Scream Night—Music Award of the Year (尖叫2016愛奇藝之夜—年度音樂大獎).” NAME, our artist group debuted in 2021, attracted much attention and won the “2021 Rayli Beauty Awards—New Artist Group of the Year (2021瑞麗美容大賞年度新銳組合)” and “2021 iFeng Fashion Choice Awards—Most Anticipated Group of the Year (2021鳳凰網時尚盛典年度潛力組合)” shortly after its debut.

In addition to debuting in China, our trainees also have the opportunity to debut in Korea via Yuehua Korea. Yuehua Korea has built a highly experienced music production team to produce music recordings and music videos for managed artists and trainees, and has produced various highly popular songs and music videos. In 2021, Yuehua Korea arranged for our managed artist, Ms. Choi Ye-na (崔叡娜), an actress and singer, to debut in Korea. “SMILEY,” a song we produced for her won first place in a popular Korean music variety program and had a view count of over 24 million on YouTube as of the Latest Practicable Date.

In addition to music production, Yuehua Korea has also established close cooperative relationships with various international content producers, allowing it to effectively promote the acting careers of our managed artists. In 2021, our managed artist, Mr. Lee Do-hyun (李到晧), won the best new actor award of Baeksang Arts Awards (百想藝術大賞的最佳新人男演員獎), a prestigious entertainment award in Korea, for his performance in the drama series “18 Again.”

To capture the growth of the overseas entertainment market and provide our trainees with more debut options, we send some of our trainees who were enrolled in China to Yuehua Korea for training and for debuting.

Artist Promotion

We have built a dedicated artist promotion team specialized in providing promotion services to our managed artists, consisting of 28 members as of April 30, 2022. As an artist's public image is critically important for his or her career success, we have established strict guidance on how the artists would appropriately behave in public and on social media. By helping artists build a positive public image and stay in the positive light, our artist promotion team helps our managed artists with their career progression.

Our artist promotion team is critical in creating a contact point between the artists and the audience. They help the artists increase their exposure by reviewing and publishing publicity materials, such as photographs and press releases, and keep the audience updated of the latest news about the artists on various social media platforms. They also secure opportunities for the managed artists to participate in award ceremonies and other public events. On the occasions where our managed artists face potential negative publicity, our artist promotion team will react promptly to formulate an appropriate response.

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The artist promotion team also works with customers to get favorable publicity for our managed artists. After the artist management team has matched a new project to a managed artist, such as the production of a drama series or variety program, our artist promotion team will keep in close contact with the customers to understand the artist's role in the project, identify ways to improve how the artist is presented and make sure that the final product will have a positive impact on the artist's public image and career plan.

Multichannel Publicity Strategy

Our artist promotion team has established a multichannel publicity strategy to reach a wide audience and build connections between our managed artists and the target audience. In addition to traditional media platforms such as satellite TV networks, we utilize online video platforms, short video platforms, social media platforms and high fashion brands to get wide media coverage for our managed artists.

- *Satellite TV networks and online video platforms.* Our artist promotion team collaborates with satellite TV networks and online video platforms to increase public exposure of our managed artists. Our managed artists routinely appear on TV or online video programs to promote the movies or variety programs they starred in. These media platforms have a broad audience and our artist promotion team usually formulates promotion strategies that match the characters of our managed artists and communicate them with such platforms.
- *Short video platforms.* Our artist promotion team works with the leading short video platforms in China to promote the influence of our Yuehua brand and our managed artists. Short video platforms, such as Douyin and Kuaishou, have experienced exponential growth in recent years and people spend considerable time on them. Our managed artists publish short videos and attend live streaming events on short video platforms in connection with their assigned projects, such as promoting a product they endorsed or marketing a movie, variety program or drama series starring the artists.
- *Social media platforms.* Social media platforms, such as Weibo and Xiaohongshu, are important marketing platforms for our managed artists. Our artist promotion team assists our managed artists to interact with users on major social media platforms, sharing their activities and information about upcoming projects to keep people informed. By creating interactive social media content, our managed artists can increase their public exposure.
- *Fashion events.* Our artist promotion team also secures opportunities for our managed artists to attend various fashion weeks and cover shoots for fashion magazines, to help the artists define their personal style and increase their public visibility.

Yuehua Brand

Our managed artists, who have gained much popularity during their performing art careers, and our established artist training and operation system have effectively enhanced the influence of our Yuehua brand, making us a well-known entertainment brand in China, according to Frost & Sullivan.

Our founder and Chief Executive Officer, Ms. Du Hua, attended the popular variety program, "Sisters Who Make Waves," in 2020 and 2021. Ms. Du served as a judge in the program, further enhancing the visibility of our Yuehua brand and our managed artists in general. For more details about Ms. Du, see "—Our Competitive Strengths" and "Directors and Senior Management."

We have also carried out a series of public events, such as the Yuehua Family Concert (樂華家族演唱會), an event featuring our managed artists, to present our Yuehua brand to the public.

Global Outreach

Building on our market leading position in China, we actively promote and market our managed artists and our Yuehua brand in Asian markets. When our managed artists publish a musical work, we simultaneously publish it on multiple music streaming platforms overseas. During the Track Record Period, our musical works had been published on various overseas music streaming platforms, including Apple Music, Spotify, YouTube and KKBox, leading Chinese pop culture trend worldwide.

Yuehua Korea is another important part of our global strategy. With its strong music production capabilities, Yuehua Korea has produced many musical works that are widely popular. For example, as of April 30, 2022, “DUN DUN,” “Adios,” “LA DI DA” and “Bon Bon Chocolat,” four music videos that Yuehua Korea produced for EVERGLOW accumulated more than 256 million, 160 million, 115 million and 112 million views on YouTube, respectively. Yuehua Korea was also engaged to produce the songs performed in several hit variety programs in China, such as “Ei Ei” and “Yes! OK!” In addition, we have cooperated with well-known Korean entertainment companies through Yuehua Korea to organize concerts and tours for our managed artists overseas, further expanding our target audience base. We have also established strong cooperative relationships with overseas entertainment companies through our overseas subsidiary Yuehua Korea, and help bring quality entertainment content to Chinese audience.

In addition to Korea, we are also actively expanding our business in other parts of Asia. Drama series starring Mr. Wang Yibo, Ms. Cheng Xiao and Mr. Bi Wenjun, such as “Legend of Fei” (有翡), “The Road of Awakening (天醒之路)” and “In a Class of Her Own (漂亮書生),” have been distributed in countries including Japan, Korea, Thailand, Malaysia and Philippines and have been widely popular. We also organized concerts and tours for our artist group, NEXT, in Thailand and Malaysia.

Relationship with Our Managed Artists

We aim to foster and maintain long-term and stable relationships with our managed artists. As of the Latest Practicable Date, 55 of our 66 managed artists graduated from our Yuehua trainee program. They enrolled in the program in order to receive systematic training and become established artists. After they successfully completed the training, they entered into exclusive artist management contracts with us and became our managed artists. Our managed artists are our suppliers as we engaged them to provide performing services to our customers through participating in commercial activities, entertainment content services, and music production. Under the contracts, the revenue we receive from our customers will be allocated between our managed artists and us based on percentages as set out in the artist management contracts. For more details of our artist management contracts, see “—Artist Management—Artist Operation—Exclusive Artist Management Contract.”

Our managed artists play an important role in our business development and our cooperation with them is an integral part of our business operation. We are of the view that the relationship between our managed artists and us is mutually beneficial and complementary for the following reasons.

Mutually Beneficial and Complementary Relationship

The roles of our Company and of our managed artists are mutually beneficial and complementary to each other. According to Frost & Sullivan, artist management companies can create significant commercial value for their managed artists by providing professional artist operation, integrated market resources and systematic follow-up art training . Artist management companies deal with various aspects of artist operation, such as sales, marketing, business negotiation and general project assistance, to enable the artists to focus on their performances. In addition, many crucial resources are only available to reputable artist management companies in the market. As a result, the relationship between artist management companies and their artists is typically mutually beneficial and complementary, according to Frost & Sullivan.

Our market-leading position, and strong artist training and operation capabilities have made us one of the top choices in China for established artists as well as for talented young people who want a performing art career. According to Frost & Sullivan, we ranked first among artist management companies in China with a market share of 1.9% in terms of artist management revenue in 2021, and are one of the few companies that can provide systematic and professional artist training and operation services in China. During the Track Record Period, we received more than 65,000 applications, both in China and overseas.

Rich Industry Resources

During the Track Record Period, the number of business activities generating revenue increased from approximately 380 in 2019 to approximately 500 in 2020, and further to approximately 640 in 2021 and 235 for the four months ended April 30, 2022. We have cooperated with a wide selection of brands, which enable us to arrange for our managed artists to feature in various commercial activities, enhancing their commercial value and public awareness. During the Track Record Period, we entered into 383 endorsement deals and our customers included 12 international brands listed on “World’s Most Valuable Brands—Top 100” published by Forbes in 2020 and eight domestic brands listed on “China’s Most Valuable Brands—Top 100” published by China Brand Value Research Institutes in 2020.

We also arrange our managed artists to feature in popular variety programs, movies and drama series produced by and broadcast on leading online video platforms and major satellite TV networks in China. As of the Latest Practicable Date, we had established business cooperation with the top five satellite TV networks in China in terms of annual average viewership rating and the top three online video platforms in China in terms of total revenues, according to Frost & Sullivan, for an average of seven years. During the Track Record Period, we entered into 443 entertainment content service contracts for our managed artists to perform in variety programs, movies and drama series. In addition, we arrange our managed artists to participate in related events on popular social media platforms, further enhancing their popularity.

Benefiting from our well-established relationships with these media channels, we provide our managed artists with the opportunities to perform in various hit drama series and variety programs, such as “Luoyang (風起洛陽)” broadcast on iQIYI and featuring Mr. Wang Yibo, “Floating Youth (冰球少年)” broadcast on Mango TV and featuring Mr. Zhu Zhengting, “Go Fighting (極限挑戰)” broadcast on Dragon Satellite TV and featuring Mr. Huang Minghao, and “The Stories of Lion Rock Spirit (獅子山下的故事)” broadcast on CCTV1 and Tencent Video and featuring Ms. Xu Yating. Ms. Du Hua was also invited as a judge in the popular variety program, “Sisters Who Make Waves,” in 2020 and 2021, for her

long-standing career in the media world. Ms. Du's appearance in the program bolstered our cooperation with media channels and increased the visibility of our Yuehua brand. With our rich media resources, we are able to secure valuable opportunities to perform in prestigious media events for our newly debuted artists and artist groups. For example, we arranged NAME to perform in galas produced by several leading satellite TV networks and online video platforms in China shortly after their debut.

In addition, we have an experience in-house team and have established long-term cooperation relationship with leading music service providers in China. We produce digital singles and albums for our managed artists, further promoting their performing career. During the Track Record Period, we produced 34, 22, 29 and 14 digital singles and albums in 2019, 2020, 2021 and the four months ended April 30, 2022, respectively, for our managed artists. Among them, 12 digital singles and albums sold more than a million copies each in China as of April 30, 2022. According to Frost & Sullivan, artist management companies' capability to produce and operate premium musical works for their managed artists, whose career fields include singing and dancing, plays a critical role in helping the artists rapidly attract audience's attention and enhance the artists' market recognition. Meanwhile, high-quality musical works performed by the managed artists in turn can support the sustainable development of their respective artist management companies.

Professional Artist Management Teams

Among our managed artists who had more than two million followers each on Weibo as of the Latest Practicable Date, 16 were graduates of our Yuehua trainee program, demonstrating our capability to cultivate fresh talent and promote them to be established artists on an on-going basis. According to Frost & Sullivan, we are one of a few artist management companies in China that operates a professional and systematic trainee system.

Senior members of our artist training team have an average of six years of experience in arranging comprehensive trainings for young talents as of April 30, 2022. They are responsible for selecting a team of instructors with extensive expertise in teaching vocal, dance, acting and media interaction skills. We provide trainees with systematic and professional training for an average duration of three years, laying a solid foundation for their career. We also provide follow-up training to our managed artists after debut, helping them grow into well-rounded and accomplished artists. The professionalism of our managed artists in turn help us establish our Yuehua brand.

We have also established a professional artist operation team, the senior members of which have an average of nine years of experience working in the artist management industry as of April 30, 2022. Members of our artist operation team specializes in negotiating business deals and coordinating between customers and artists. They have experience working with various types of customers, including brands, media platforms and content production companies, enabling them to promote the career of our artists in multiple fields.

Furthermore, we have an experienced artist promotion team, who help our managed artists increase their exposure by reviewing and publishing publicity materials through various marketing channels. The senior members of our artist promotion team have an average of six years of experience working in the media world as of April 30, 2022, and they provide guidance to our artists on the content and public image they conveyed to the public. In light of the changing regulatory environment, they also liaise with our legal team to circulate updated laws, regulations and policies in relation to the entertainment industry to our artists.

Benefiting from their positive public image and our professional artist management, our managed artists have been engaged to perform in various movies, drama series and variety programs that allow them to make a positive social impact, such as “Faith Makes Great: Choice (理想照耀中國之抉擇),” “Being a Hero (冰雨火),” “Floating Youth (冰球少年),” “Upstream (泳往直前)” and “Everlasting Classics (經典詠流傳).”

Our rich industry resources, professional artist management teams and our proven track record of nurturing well-known artists have allowed us to continuously attract talented young people and promote the performing art careers of our managed artists, helping us create and maintain a mutually beneficial and complementary relationship with the artists.

Long-term and Stable Cooperation with Managed Artists

We have established and maintained stable, long-term business relationships with our managed artists by entering into exclusive artist management contracts with them. The majority of these long-term contracts have terms ranging from five to 15 years. Our artist management contracts with artists who graduated from our Yuehua trainee program are typically of a longer term, ranging from eight to 15 years.

Pursuant to the contracts, we have an exclusive right to manage the artists’ performing activities and are entitled to all the intellectual property rights in the works produced by the artists during the contract term. If our managed artists unilaterally terminate the artist management contracts, they would be liable to us for damages for breach of contract. In addition, as of the Latest Practicable Date, 44 out of 66 managed artists had a contract with an automatic renewal mechanism. Such contracts will be automatically renewed when the initial terms expire and the renewal terms typically range from one to five years. 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.

The relatively long terms of the artist management contracts and the automatic renewal mechanism help us maintain stable operation of our artist management business. During the Track Record Period, we experienced (i) only two instances of early termination of artist management contracts and each was upon mutual agreement, and (ii) only one instance where we chose not to renew an artist management contract with an automatic renewal option. The early terminations and the non-renewal resulted from a mismatch between the artists’ career interests and goals and our career development plan for them. During the Track Record Period, we did not have any dispute regarding the artist management contracts with our managed artists.

55 of our 66 managed artists as of the Latest Practicable Date are graduates of our Yuehua trainee program. The long-term working relationship between our managed artists and us formed during the trainee stage also instills a sense of belonging and facilitates the smooth execution of artist management contracts. Benefiting from our stable cooperation with our managed artists, we are able to build a continuously expanding artist roster.

Characteristics of the Artist Management Market

According to Frost & Sullivan, the early stage of artists’ lifecycle requires significant initial investments in professional training, building up profile and gaining reputation. After the artists gradually establish their images to the public, their commercial value will increase, so will their contribution to the revenue of their management companies. It is an industry norm that, at any given

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time, artists with high popularity contribute a significant portion of revenue of the artist management companies they work with, according to Frost & Sullivan. As artists with high popularity change from time to time as a result of the changing audience preferences, artist management companies must have outstanding abilities to continuously identify, train and contract with artists with high popularity in order to keep their competitive advantages.

According to Frost & Sullivan, the career cycle and commercial value of a debuted artist typically includes three stages: growth, mature and decline. In the growth stage, the artist needs tailored artist operation and promotion resources in order to attract market attention. As the artist's professional qualities become recognized by the market, the artist's career will enter into the mature stage. The commercial value of the artist will reach its peak during this period. After the mature stage, the artist may enter the decline stage. According to Frost & Sullivan, although the durations of the three stages cannot be forecasted and may vary from person to person, they are largely affected by factors including: (i) the amount and quality of the artist operation, promotion and training resources invested in the artist, (ii) the operation experience of the artist's management company, and (iii) the capabilities of the artist's management company to compete for limited industry resources. Therefore, artists managed by top artist management companies are more likely to shorten the duration of their growth stage and prolong the length of their mature stage, according to Frost & Sullivan.

To achieve sustainable growth, artist management companies routinely select and cultivate talent to become their managed artists so that at any given time there will be one or more high-quality artists in their talent pool who are major contributors to their revenue. According to Frost & Sullivan, we are one of very few artist management companies in China that have a proven track record of continuously training and promoting popular artists.

A majority of the top ten artists for each year during the Track Record Period debuted between 2014 and 2018. As they gradually established themselves in the market, their recognition and commercial value started to rise rapidly. Therefore, they contributed a significant portion of our revenue during the Track Record Period. During the Track Record Period, the aggregate amount of revenue attributable to our top ten artists for 2019, 2020, 2021 and the four months ended April 30, 2022 accounted for 74.8%, 83.0%, 85.6% and 84.5% of our total revenue for the corresponding periods, respectively. The revenue attributable to our top one artist for 2019, 2020, 2021 and the four months ended April 30, 2022, accounted for 16.8%, 36.7%, 49.5% and 56.8% of our total revenue for the corresponding periods, respectively. For our managed artists who debuted after 2018, their popularity and commercial value are expected to continue to increase as they gradually establish themselves in the market.

With our stable talent pipeline, we are able to effectively promote popular artists from our pool of trainees on a continuous basis. During the Track Record Period, all of our top ten artists were Yuehua trainee graduates, except Mr. Han Geng and Mr. Tang Jiuzhou. Our revenue attributable to such trainee graduates amounted to 93.0%, 95.8%, 96.3% and 95.9% in 2019, 2020, 2021 and the four months ended April 30, 2022, respectively. The ranking of each of the top ten artists during the Track Record Period varies from year to year as a result of the career cycle of individual artists. Nevertheless, revenue generated from our artist management increased quickly from RMB530.2 million in 2019 to RMB1,174.8 million in 2021, at a CAGR of 48.9% between 2019 and 2021. The continued increase demonstrate that we have trained and promoted a team of artists from our trainees, which collectively has a strong ability to adapt to changing market preferences.

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As of the Latest Practicable Date, our artist management contracts with all the top ten artists during the Track Record Period remained effective. During Track Record Period and up to the Latest Practical Date, we had not encountered any termination of artist management contracts with these artists. In general, our contracts with these artists can only be terminated early upon mutual agreement. The managed artists would be liable to us for compensatory damages if they fail to perform the artist management contracts. In addition, the portion of the training expenses we incurred and to be borne by the top ten artists, if any, is deducted before any revenue is allocated to the relevant artists. Therefore, we tend to recover the training expenses borne by the relevant top ten artists in the early stage of their career. As of the Latest Practicable Date, all of the training costs that should be borne by the relevant top ten artists in 2019, 2020 and 2021 pursuant to the relevant artist management contracts had been recovered.

Our Directors are of the view that, it is expected that the aggregate revenue amount attributable to our top ten artists for 2021 would continue to grow after the Listing, as they are still at the prime stage of their careers, and their commercial value and popularity are still increasing among audience. However, our Directors are of the view that such aggregate revenue attributable to the top ten artists each year will decrease as a percentage of our total revenue, as top artists with high popularity change from time to time due to the changing audience preferences, according to Frost & Sullivan. To keep our competitive advantage and increase revenue contribution from other managed artists and other business segments, we will (i) continue to promote our managed artists who debuted in recent years, who have gradually established themselves in the market; (ii) continue to expand our artist roster by training and arranging debut for our trainees, so that we can keep identifying, training and promoting top artists with high popularity and commercial value; and (iii) keep investing in our music IP production and operation business and pan-entertainment business, which will further diversify our revenue sources.

Continuously Cultivating Talent and Expanding Talent Pool

To avoid potential reliance on certain artists, we make efforts to continue to (i) expand our trainee program and enlarge our talent pool, (ii) arrange our trainees to debut in artist groups, (iii) enter into long-term, exclusive artist management contracts with graduates of our Yuehua trainee program, (iv) enhance our artist operation capabilities and increase the influence of our Yuehua brand, grow our business network and strengthen our market-leading position, and (v) increase our investment in virtual artists in response to audience demand.

Expanding Artist Roster

We will continue to identify and cultivate young talent and use our rich industry resources to market and promote them. Building on our systematic trainee system and our insights into the trends of Chinese pop culture, we have successfully cultivated and promoted a group of well-rounded artists, and have built a diverse and rapidly growing team of managed artists. We had 46, 48, 54 and 66 high-quality managed artists as of December 31, 2019, 2020 and 2021 and April 30, 2022. As of the Latest Practicable Date, we had 66 high-quality managed artists, including six popular artist groups.

Growing Talent Pool

After years of improving our Yuehua trainee program, we have built a stable talent pipeline and a large pool of well-rounded trainees who are under professional training to become our managed

artists. Benefiting from our well-recognized Yuehua brand and our long-term cooperation with various art institutes, we collected more than 65,000 applications during the Track Record Period, both in China and overseas. Because of the large size of our candidate pool, we are able to follow strict selection criteria to identify the candidates who are most suited and in the meantime quickly expand our talent pool to keep pace with the rapid growth of our business. During the Track Record Period, the number of our trainees increased from 48 in 2019 to 80 in 2021, at a CAGR of 29.1% between 2019 and 2021, and decreased to 71 as of April 30, 2022, as some of our trainees had made their debut.

Arranging Debut of Artist Groups

In recent years, we increasingly arrange for our trainees to make their debut in small or midsize artist groups. Promoting artist groups enables us to present managed artists with different styles, performance talents and personalities, and helps us attract audiences with different preferences and build a large follower base. More importantly, even if an artist leaves an artist group, the rest of the group can continue to perform and entertain audiences, helping us to reduce our reliance on a particular artist. Among our managed artists who had more than two million followers each on Weibo as of the Latest Practicable Date, 11 debuted as a member of our artist groups, demonstrating the success of such strategy.

We believe that the roles of our Company and those of our managed artists are complementary and mutually beneficial, and our relationships with artists are in line with the industry norm. Our Directors are of the view that the likelihood that our relationship with artists may materially adversely change is low, and we will be able to effectively manage our exposure to any material adverse changes.

Music IP Production and Operation

We established our music IP production and operation business in 2009. We maintain an extensive library of original and licensed music IPs, which is continuously expanding. Our experienced in-house music production and operation team produces musical works tailored for our managed artist, mostly in the form of digital singles and albums, which ensures that the songs we produce match the artists' market positioning. To enrich our collection of music IPs, we also license quality musical works from third-party copyright holders and music creators through licensing.

We grant license on the music IPs in our music IP library to a wide selection of music service providers, including major music streaming platforms and telecommunication companies, for licensing fees and royalties.

Introduction to Our Music Library

We had built an extensive music IP library comprising approximately 1,100 musical works we produced for our managed artist and more than 56,000 musical works we obtained from copyright holders as of April 30, 2022. The songs in our music IP library represent a variety of themes and cover a broad range of genres, such as pop, ballad, electronic dance, hip-hop and rock.

During the Track Record Period, we produced a total of 69 digital singles and 30 digital albums, many of which became instant hits after their release. For example, “No Feelings (無感)” and “My Rules (我的世界守則),” two digital singles we produced for Mr. Wang Yibo, recorded sales of more than 17 million and 15 million copies, respectively, as of April 30, 2022. “Chapter Z,” a digital album we produced for Mr. Zhu Zhengting, recorded sales of approximately two million copies as of the same date.

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Digital Singles and Albums

Below is a selective list of the major digital singles and albums we produced for our managed artists.

Digital Singles



No Feelings (無感)

Mr. Wang Yibo

Date of release: December 2019

Copies sold as of April 30, 2022: Approximately 17,600,000



My Rules (我的世界守则)

Mr. Wang Yibo

Date of release: December 2020

Copies sold as of April 30, 2022: Approximately 15,400,000



The Winter Light (冬日告白)

Mr. Zhu Zhengting

Date of release: December 2018

Copies sold as of April 30, 2022: Approximately 3,100,000



I'm Here

Mr. Fan Chengcheng

Date of release: November 2018

Copies sold as of April 30, 2022: Approximately 2,800,000



Hard Road

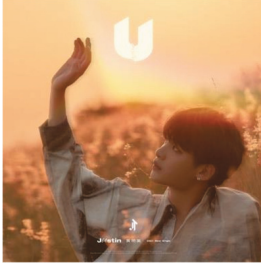
Mr. Huang Minghao

Date of release: November 2018

Copies sold as of as of April 30, 2022: Approximately 2,800,000

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Digital Singles



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Mr. Huang Minghao

Date of release: July 2021

Copies sold as of April 30, 2022: Approximately 1,700,000



Fire

Mr. Wang Yibo

Date of release: January 2019

Copies sold as of April 30, 2022: Approximately 1,300,000



Liar

Mr. Huang Minghao

Date of release: April 2019

Copies sold as of April 30, 2022: Approximately 1,200,000



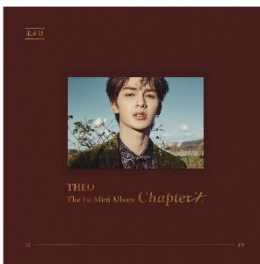
Empty Space

Mr. Zhu Zhengting

Date of release: May 2020

Copies sold as of April 30, 2022: Approximately 900,000

Digital Albums



Chapter Z

Mr. Zhu Zhengting

Date of release: September 2019

Copies sold as of April 30, 2022: Approximately 2,000,000

Digital Albums



Love Or Not (愛・不愛)

Ms. Meng Meiqi

Date of release: October 2020

Copies sold as of April 30, 2022: Approximately 1,800,000



Wen (汶)

Mr. Li Wenhan

Date of release: July 2021

Copies sold as of April 30, 2022: Approximately 1,600,000



Like A Fan

Mr. Fan Chengcheng

Date of release: June 2019

Copies sold as of April 30, 2022: Approximately 1,000,000



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Mr. Huang Minghao

Date of release: August 2020

Copies sold as of April 30, 2022: Approximately 800,000

We plan to release 12 digital singles and 19 digital albums, comprising approximately 110 songs in total, on major music streaming platforms in 2022.

Copyright Ownership

The musical works we produced for our managed artists are in the form of music recordings or music videos, comprising lyrics, music compositions and performance by our managed artists. As producer, we first obtain licenses from the relevant parties, such as lyricists and music composers, who are usually represented by music publishing companies, and the managed artists who will perform the songs, before we commence the recording of a musical work. We then arrange, edit and combine (i) the lyrics and music compositions we have licensed from the copyright holders; and (ii) the audio and video recordings of the performances of the artists, from whom we have obtained a one-off consent in the artist management contract we entered with them, in order to complete the production of the musical works. As the producer of completed music recordings and music videos, we have the right

of producer of audio and video recordings, which allows us to grant our customers the right to replicate, publicize, or transmit the completed music recordings and music videos to the public through information networks and receive remuneration.

In addition to musical works we produced for our managed artists, our music IP library also contains musical works, such as music recordings, music videos, lyrics and music compositions that we licensed from the music creators or third-party copyright holders in Korea and the United Kingdom. We typically hold an exclusive license within China and has the right to sublicense the musical works to our customers. Benefiting from our global outreach and professional in-house music production team, we introduce quality music works abroad to meet the demand of domestic customers who wish to diversify their music IP library. In addition, we usually license the entire music catalog from the music creators or third-party copyright holders, which gives us more bargaining power. Our customers can then choose to sub-license all or part of the music catalogs depending on their need. As a result, we may offer lower licensing fees and greater flexibility when they sub-license from us. According to Frost and Sullivan, it is an industry norm for music streaming platforms to sub-license musical works from domestic copyright holders. During the Track Record Period, our revenue generated from major music streaming platforms, such as NetEase Cloud Music and Tencent Music, was mainly attributable to the musical works we produced for our managed artists.

Production of Music IPs

Our music IP production process can be divided into four key steps:



- *Internal planning and project approval.* Our music production team works with our managed artists and/or other internal teams to determine the number of songs to be produced and released, and draws up a release plan according to the artists' market positioning and schedule. The team will then apply for budget approval for the release plan.
- *Copyright licensing.* The music production team will select songs that match the release plan from demos provided by copyright holders, who have the right to license us the lyrics and music compositions that formed the demos. Once confirmed, our music production team will negotiate with the copyright holders for a license. After we have reached an

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agreement on the key terms with the copyright holders, such as the scope of the license, we will finalize the contract with the copyright holders.

- *Music production.* During the production process, our music production team will discuss with the artists and/or other internal teams to determine the music style and the marketing strategy. The team will produce songs in studios and complete a series of steps such as recording, tuning, arranging and mixing. Our music production team will also conduct post-production editing on the music recordings, and produce and archive the master tapes. For music videos, we will work with the artists to produce the video content and combine it with the music recordings. In addition to our in-house team, we also engage qualified third parties to facilitate the music production process from time to time. We have established standard operating procedures which cover the entire music production process and conduct stringent quality review of our musical works before delivering our musical works to customers. We are solely responsible for negotiating with customers and determining which platforms the musical works will be distributed and the marketing strategy to be adopted.
- *Music release and distribution.* In the music distribution stage, we will confirm with the distribution platforms on the distribution date and time. After discussing the pricing strategy with the distribution platforms, we will decide whether to make the musical works (i) available to all users,; (ii) as VIP content which is only available to users who have monthly or annual subscriptions at the distributing platform,; or (iii) as digital singles or albums, which are only available to users who are willing to pay extra for each digital copy. The price charged for each musical work under each pricing strategy will be agreed upon by the distribution platforms and us. We will also deliver the digital copy of the song, backing track, lyrics, introduction to the song and cover image to the licensing partners. The distribution platforms usually provide us with various online and offline resources to promote our newly released musical works, such as daily recommendations, social media posts and offline promotion events.

Music IP Licensing Contracts

We license our music IPs to a variety of music service providers, including major music streaming platforms and telecommunication companies. We usually enter into a licensing contract with our licensing partners, which typically include the following key terms:

- *Scope of license.* We typically grant a non-exclusive license to our licensing partners on our selected music catalogs as specified in the contracts, as well as some or all of the songs that will be produced by us for our managed artists during the term of the contract. We grant licensing partners certain neighboring rights, such as the right to communicate the licensed musical works to the public over information networks. Such license typically allows our licensing partners to use our songs for streaming, downloads and other interactive features.
- *Term.* The majority of our music licensing contracts with music service providers in China has a term ranging from one to five years, which may be extended upon the agreement of both parties.
- *Licensing fees.* We typically receive (i) minimum guaranteed licensing fees and (ii) performance-based licensing fees, if any. The minimum guaranteed licensing fees are usually paid at agreed intervals.

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- *Royalties.* In addition to licensing fees, we typically receive royalties for musical works which are distributed as digital singles or albums. Royalties are typically paid to us by the licensing partner after semi-annually or quarterly accounting.
- *Expense sharing.* The licensing partner typically deducts relevant expenses incurred in distributing the musical works from the licensing fees and royalties we receive. During the Track Record Period, we did not pay any platform fees or other fees in relation to distribution of our musical works.
- Revenue sharing with copyright holders. We typically share the licensing fees and royalties we received from the licensing partners with copyright holders, including managed artists, lyricists and music composers, pursuant to the contracts we entered with them.
- *Intellectual property.* As the producer of the completed music recordings and music videos, we have the right of producer of audio and video recordings, which allows us to grant our customers the right to replicate, publicize, or transmit the completed musical works to the public through information networks and receive remuneration.
- *Termination.* Typically, the licensing agreement can be terminated upon the mutual agreement between both parties.

Pan-entertainment Business

In addition to artist management and music IP production and operation, we also conduct other businesses in the pan-entertainment industry, such as commercial development of virtual artists, licensing of variety program format, sales of artist-related merchandise, and production of and investment in variety programs, drama series and movies.

Virtual Artists

We proposed the idea to develop an all-female virtual artist group in 2019 and collaborated with a business partner, a China-based technology company located in Beijing, to develop A-SOUL since June 2020. A-SOUL debuted in 2020, consisting of five digitally created virtual artists: “Bella (貝拉),” “Diana (嘉然),” “Eileen (乃琳),” “Carol (珈樂)”⁽¹⁾ and “Ava (向晚).” Each of them has a distinctive and a specialized role in the group: “Bella” is the team leader and main dancer; “Diana” is known as the foodie in the group; “Eileen” is the knowledgeable one among the five; “Ava” is the gamer of the group; and “Carol” is the vocal of the group. There are human actors behind these virtual members, whose movements, sounds and expressions are reflected on the virtual artists by using motion capture technology or software. There is no direct association between the image and identity of the virtual artists and those of the human actors.

During the Track Record Period and up to the end of 2021, the business partner and its affiliate, a company with expertise in developing virtual artists and located in Hangzhou, have been responsible for the operation and management of A-SOUL, including designing and developing the image and character of each virtual member, and selecting, engaging and managing the human actors behind the

Note:

(1) “Carol” will not attend any live-streaming events starting from May 2022 due to the arrangement of our business partner and the human actor of “Carol.”

virtual artists. In addition, the business partner and its affiliate are responsible for deciding the marketing and promotional strategy for A-SOUL as well as licensing the right to develop tie-in merchandise based on the image of A-SOUL. During this period, we negotiated business deals for A-SOUL and produced a series of music recordings for A-SOUL which gained wide popularity. We produced “Quiet,” A-SOUL’s first single in December 2020 which accumulated wide popularity on Douyin as of April 30, 2022. We also produced “Super Sensitive (超級敏感),” the first music video of A-SOUL, which had more than 5.4 million cumulative views on Bilibili as of April 30, 2022. In addition, we provided marketing resources for A-SOUL leveraging our Yuehua brand and arranged for A-SOUL to live stream during our Yuehua Family Concert to further enhance its public exposure.

When we arranged business activities for A-SOUL with clients, we needed to frequently circle back to our business partner and its affiliate for the technical feasibility of the client’s demands, such as whether the desired facial expressions and body movements of the virtual artists can be technically captured and reenacted, as well as the projected implementation cost. Such communication process typically incurred substantive communication cost, hence leading to longer negotiation and result delivery time. In order to improve efficiency of A-SOUL’s commercial development, we have reached agreements with our business partner, under which we no longer engage in the commercial development for A-SOUL starting from 2022, and the business partner and its affiliate would since have the exclusive right to operate, manage and carry out commercial development for A-SOUL. We are entitled to receive a portion of the revenue generated from A-SOUL based on an agreed-upon ratio as (i) we proposed the idea to create A-SOUL; (ii) our marketing and promotional resources as well as the musical works we produced for A-SOUL contributed to its popularity; and (iii) though we are no longer responsible for A-SOUL’s development, we will keep recommending business opportunities for A-SOUL when a suitable opportunity arises during our operation in the entertainment industry. We have not entered into any contracts with human actors behind A-SOUL. According to Frost & Sullivan, our business arrangements with the business partner regarding A-SOUL’s operation, under which parties agreed that the responsibility of selecting, engaging and managing of the human actors behind the virtual artists lies solely with one party, is in line with the industry norm.



In addition to A-SOUL, we also invested in Nice Future, a virtual artist company which launched Quantum Youth (量子少年). Quantum Youth is a virtual artist group consisting of four male virtual artist members: “Chu Feng (楚枫),” “Mu Yu (慕宇),” “Ze Yi (澤一),” and “Xiang Tai (祥太).” After debuted in December 2021, Quantum Youth owns and operates its own channels on multiple media platforms, including Weibo, Douyin, Bilibili and Kuaishou. We have also entered into a music license and cooperation agreement with Nice Future and will produce musical works for Quantum Youth (量子少年) to be used in its live stream activities. For details, please see “Connected Transactions—Fully-exempt continuing connected transactions.” In 2022, Nice Future launched another virtual artist group, EOE, consisting of five female virtual artist members. During the Track

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Record Period and up to the Latest Practicable Date, we did not participate in the operation or commercial development of Quantum Youth or EOE, including but not limited to the selection, engagement and management of the human actors of the virtual members.

Furthermore, in the second quarter of 2022, we jointly established two companies with business partners who have experience in developing technologies empowering virtual artists, to further expand our virtual artist business.⁽¹⁾ We are a financial investor in each of these two companies and we do not have any current plan to be involved in their daily operation. Going forward, when we enter into contracts regarding virtual artists, we will try our best efforts to negotiate for rights that would allow us to reasonably monitor the operation of the virtual artists.

Variety Program Format Licensing

We seek to obtain license on variety program format from reputable overseas entertainment companies that has a successful track record of producing variety programs with high viewership rating, and sublicense it to leading online video platforms in China. We typically consider factors such as viewership rating of the program during its initial broadcast overseas, potential market demand and potential synergy to be generated with our other business segments. During the Track Record Period, Yuehua Korea sublicensed the program format of a variety program to a leading online video platform in China and received licensing fees in return.

Sales of Artist-related Merchandise

During the Track Record Period, we engaged third parties to design, produce and sell artist-related merchandise. Our artist-related merchandise includes toys, stationeries and fashion items such as bags, clothes, and accessories. The items usually bear the name, likeness or other graphics or characters in association with our managed artists. Our artist-related merchandise is typically distributed through leading e-commerce platforms in China, such as Tmall.

We collaborate with our business partners in the design and sales of the products and the production is usually carried out by reputable suppliers agreed by both parties. We also cooperate with our business partners in the promotion of the products. We are the sole owner of the intellectual property rights in the merchandise. We typically co-own the artist-related merchandise produced with our business partners, and share the revenue generated from the sales of the products with our business partners pursuant to fixed percentages set out in the contracts.

Variety Program, Drama Series and Movie

During the Track Record Period, through Horgos Yuehua, we engaged in the production of, as well as most of our investments in variety program, drama series and movie. On March 4, 2022, we dismantled the contractual arrangements in respect of Horgos Yuehua as part of the Reorganization,

Note:

- (1) As of the Latest Practicable Date, we held 20% of the equity interest in each of these two companies. In the first company, our business partners consist of (i) Uni-Blue Technology Co., Ltd. (藍色宇宙數字科技有限公司), holding 45% of the equity interest and (ii) three natural persons with expertise in areas such as digital marketing, artist promotion and music production, including Mr. Zonghui (宗輝), holding 20% of the equity interest, Ms. Huang Ziqi (黃子琦), holding 5% of the equity interest, and another natural person, holding 10% of the equity interest. In the second company, our business partners consist of (i) Tianjin Chaoyue Ciyuan Consulting LP (天津超越次元經濟信息諮詢合夥企業(有限合夥)), holding 60% of the equity interest and (ii) Hangzhou Canglin Enterprise Management Partnership (杭州倉廩企業管理合夥企業(普通合夥)), holding 20% of the equity interest.

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and we do not intend to continue in variety program, drama series and movie investment and production, in order to focus on our major business, artist management. For details, see “History, Reorganization and Corporate Structure.”

During the Track Record Period, we jointly invested in a music variety program broadcast in 2020 with a leading online video platform in China, which featured our managed artists Mr. Li Wenhan, Mr. Huang Minghao, Mr. Hu Chunyang and Ms. Chen Xinwei (陳昕葳). We also invested in drama series and movies, usually as a minority investor, during the Track Record Period.

SALES AND MARKETING

With respect to our artist management business, we establish cooperative relationships with our customers primarily through the efforts of our artist management team. Our business managers keep in close and regular contact with our existing customers, primarily including domestic and international brands, advertising agencies, content producers and media platforms, to secure business opportunities for our managed artists. They also closely monitor the trends of Chinese pop culture to explore new business opportunities and identify potential customers. We also market our managed artists through our multichannel publicity strategy which enables the artists to have more exposure to the general public and potential customers.

Regarding our music IP production and operation business, our sales and marketing strategies focus on fostering and maintaining close relationships with major music streaming platforms while exploring new distribution channels. Our music production and pan-entertainment team maintains relationships with our customers by keeping regular communications with them. Our music production and pan-entertainment team also keeps abreast of the latest market trends of the music entertainment industry to capture new business opportunities. Our artist management team and artist promotion team are also efficient promotion channels of the musical works we produced for our managed artists. We keep track of the development in the virtual artist, artist-related merchandise and variety program format licensing industries to identify potential customers and pursue new business opportunities. Our artist management team is also an efficient channel to market and promote our pan-entertainment services to potential customers.

PRICING

We usually have different pricing strategies for our different business segments.

Our artist management business focuses on providing services to customers, mostly through arranging our managed artists to participate in commercial activities such as endorsement deals, business promotion activities and other entertainment events, and entertainment content services, and receive service fees in return.

With respect to endorsement deals, we usually consider factors such as the reputation of the brands, the industry the customers are in, the nature of the endorsement and the length of the endorsement contracts, as well as the prevailing market standard.

With respect to business promotion activities, we typically consider factors such as the prevailing market standard and the public exposure of our managed artists expected to be brought by the projects.

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With respect to other entertainment events, we usually consider factors such as the performance requirements, the length of the event and the public exposure of our managed artists expected to be brought by the projects.

With respect to entertainment content services, we usually consider factors such as the expected popularity of the projects, the target audience base, the time and efforts needed for completing the projects, any previous commercial arrangements with and the reputation of the content production companies, the prevailing market standard and the public exposure of our managed artists expected to be brought by the projects.

Our music IP production and operation business focuses on licensing music IPs that we produced and have rights to license to our customers for fixed licensing fees and royalty.

With respect to digital singles and albums we produced for our managed artists, we usually determine the licensing fees and the royalties based on factors such as the popularity of the artists, the scale and number of times that the musical works have been streamed or downloaded in the past, the expected number of musical works we will license to the licensing partner during the term of the licensing agreement and any previous commercial engagements we had with the licensing partner.

With respect to our music IPs other than digital singles and albums, we usually determine the licensing fees based on factors such as such as the expected number of musical works we will license to the licensing partner during the term of the licensing agreement, the scale and number of times that the musical works have been streamed or downloaded in the past, the time the musical works have been published, and the user bases of the music streaming platforms.

With respect to physical copies of our musical works, such as physical albums, we typically consider factors such as the popularity of the artists and the prevailing market standard.

With respect to our pan-entertainment business, our pricing strategy is determined on a case-by-case basis depending on the type of products or services we provide. During June 2020 to December 2021, when we collaborated with our business partner in the commercial development of A-SOUL, we typically considered factors such as the cost structure, the target audience base, the expected public exposure of virtual artists and the length of the projects in determining the price for A-SOUL's business projects.

OUR CUSTOMERS

During the Track Record Period, our customers consisted primarily of (i) domestic and international brands; (ii) content producers and media platforms; and (iii) music service providers that license music IPs from us.

Our revenues attributable to the five largest customers for each year or period during the Track Record Period were RMB173.3 million, RMB245.2 million, RMB301.2 million and RMB72.1 million, respectively, accounting for approximately 27.4%, 26.5%, 23.4% and 20.4% of our total revenue for the corresponding year or period, respectively. The payment term with the five largest customers ranges from nil to 30 days after they receive our invoice, depending on the specific payment terms in each contract, and we generally settle with them by bank transfers.

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To the best of our knowledge, except for subsidiaries of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) and its fellow subsidiaries under common control of the same ultimate holding company as a group, during the Track Record Period and up to the Latest Practicable Date, our top five customers were all Independent Third Parties.

Except subsidiaries of Alibaba Pictures Group Limited and its fellow subsidiaries as disclosed above, as of the Latest Practicable Date, none of our Directors, their close associates or any shareholders who owned more than 5% of the issued share capital of our Company, had any interest in our five largest customers during the Track Record Period.

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

Year ended December 31, 2019

<u>Customer</u>	<u>Revenue amount (RMB in thousands)</u>	<u>% of total revenue</u>	<u>Years of business relationship*</u>	<u>Nature of revenue</u>	<u>Customer background</u>
Customer A	53,186	8.4%	5	Services of artist management, music IP production and operation, and pan-entertainment	A China-based group located in Hangzhou, Zhejiang province, mainly focusing on providing music streaming services, whose major subsidiaries are listed on both the Nasdaq Stock Market and the Stock Exchange, founded in 1997.
Customer B	35,136	5.6%	9	Services of artist management, music IP production and operation, and pan-entertainment	A China-based technology and social media group, located in Beijing, mainly focusing on content production and video streaming, whose major subsidiary is listed on the Nasdaq Stock Market, founded in 2010.
Customer C	33,016	5.2%	5	Services of artist management	A China-based entertainment company, located in Tianjin, mainly focusing on artist management, music production, and investment in movie and drama series, founded in 2017.
Customer D	31,803	5.0%	8	Services of artist management, music IP production and operation, and pan-entertainment	A China-based media platform located in Changsha, Hunan Province, controlled by a state-owned radio and television media group, founded in 2006.

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Customer	Revenue amount (RMB in thousands)	% of total revenue	Years of business relationship*	Nature of revenue	Customer background
Subsidiaries of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) and its fellow subsidiaries	20,203	3.2%	9	Services of artist management, music IP production and operation, and pan-entertainment	A group of subsidiaries and fellow subsidiaries under common control of the same ultimate holding company of Alibaba Pictures Group Limited, a China-based film and TV drama group with core business in three major segments of content, technology, and IP merchandising and commercialization and listed on the Stock Exchange.
Total	<u>173,344</u>	<u>27.4%</u>			

* As of April 30, 2022

Year ended December 31, 2020

Customer	Revenue amount (RMB in thousands)	% of total revenue	Years of business relationship*	Nature of revenue	Customer background
Customer A	66,732	7.2%	5	Services of artist management, music IP production and operation, and pan-entertainment	A China-based group located in Hangzhou, Zhejiang province, mainly focusing on providing music streaming services, whose major subsidiaries are listed on both the Nasdaq Stock Market and the Stock Exchange, founded in 1997.
Subsidiaries of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) and its fellow subsidiaries	62,827	6.8%	9	Services of artist management, and music IP production and operation	A group of subsidiaries and fellow subsidiaries under common control of the same ultimate holding company of Alibaba Pictures Group Limited, a China-based film and TV drama group with core business in three major segments of content, technology, and IP merchandising and commercialization and listed on the Stock Exchange.
Customer B	49,900	5.4%	9	Services of artist management and pan-entertainment	A China-based technology and social media group, located in Beijing, mainly focusing on content production and video streaming, whose major subsidiary is listed on the Nasdaq Stock Market, founded in 2010.

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Customer	Revenue amount (RMB in thousands)	% of total revenue	Years of business relationship*	Nature of revenue	Customer background
Customer D	41,529	4.5%	8	Services of artist management, and music IP production and operation	A China-based media platform located in Changsha, Hunan Province, controlled by a state-owned radio and television media group, founded in 2006.
Guangzhou Economic & Technical Development District Construction Import & Export Co., Ltd. (廣州經濟技術開發區建設進出口貿易有限公司)	24,195	2.6%	5	Services of artist management	A China-based company located in Guangzhou, Guangdong Province, with an operating scope primarily covering import and export, public relations and entertainment agency services, which is engaged by a multinational consumer goods corporation to arrange endorsement activities for its consumer products.
Total	245,183	26.5%			

* As of April 30, 2022

Year ended December 31, 2021

Customer	Revenue amount (RMB in thousands)	% of total revenue	Years of business relationship*	Nature of revenue	Customer background
Subsidiaries of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) and its fellow subsidiaries	95,004	7.4%	9	Services of artist management, music IP production and operation, and pan-entertainment	A group of subsidiaries and fellow subsidiaries under common control of the same ultimate holding company of Alibaba Pictures Group Limited, a China-based film and TV drama group with core business in three major segments of content, technology, and IP merchandising and commercialization and listed on the Stock Exchange.
Fellow subsidiaries of Quantum Jump (北京量子躍動科技有限公司)	63,737	4.9%	4	Services of artist management, music IP production and operation, and pan-entertainment	Quantum Jump, a China-based company located in Beijing; and its fellow subsidiaries under common control of the same controlling shareholder, which together comprise an internet technology group mainly focusing on the development of videosharing services, social networking services, and news and information services, founded in 2012.

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<u>Customer</u>	<u>Revenue amount (RMB in thousands)</u>	<u>% of total revenue</u>	<u>Years of business relationship*</u>	<u>Nature of revenue</u>	<u>Customer background</u>
Customer B	60,093	4.7%	9	Services of artist management and pan-entertainment	A China-based technology and social media group located in Beijing, mainly focusing on content production and video streaming, whose major subsidiary is listed on the Nasdaq Stock Market, founded in 2010.
Customer E	49,329	3.8%	9	Services of artist management and music IP production and operation	A China-based internet and technology company located in Shenzhen, Guangdong Province, mainly focusing on communication and social platform services, video and music publication and digital content services, whose major subsidiary is listed on the Stock Exchange, founded in 1998.
Customer A	33,043	2.6%	5	Services of artist management and music IP production, and operation	A China-based group located in Hangzhou, Zhejiang province, mainly focusing on providing music streaming services, whose major subsidiaries are listed on both the Nasdaq Stock Market and the Stock Exchange, founded in 1997.
Total	<u>301,206</u>	<u>23.4%</u>			

* As of April 30, 2022

Four months ended April 30, 2022

<u>Customer</u>	<u>Revenue amount (RMB in thousands)</u>	<u>% of total revenue</u>	<u>Years of business relationship*</u>	<u>Nature of revenue</u>	<u>Customer background</u>
Customer B	21,504	6.1%	9	Services of artist management and pan-entertainment	A China-based technology and social media group, located in Beijing, mainly focusing on content production and video streaming, whose major subsidiary is listed on the Nasdaq Stock Market, founded in 2010.
Customer F	14,607	4.1%	4	Services of artist management, music IP production and operation, and pan-entertainment	A South Korean entertainment and mass media company established in 2011.

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Customer	Revenue amount (RMB in thousands)	% of total revenue	Years of business relationship*	Nature of revenue	Customer background
Subsidiaries of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) and its fellow subsidiaries	13,340	3.8%	9	Services of artist management	A group of subsidiaries and fellow subsidiaries under common control of the same ultimate holding company of Alibaba Pictures Group Limited, a China-based film and TV drama group with core business in three major segments of content, technology, and IP merchandising and commercialization and listed on the Stock Exchange.
Fellow subsidiaries of Quantum Jump (北京量子躍動科技有限公司)	11,688	3.3%	4	Services of artist management, music IP production and operation, and pan-entertainment	Quantum Jump, a China-based company located in Beijing; and its fellow subsidiaries under common control of the same controlling shareholder, which together comprise an internet technology group mainly focusing on the development of videosharing services, social networking services, and news and information services, founded in 2012.
Customer G	11,006	3.1%	1	Services of artist management	A China-based film production company, founded in 2015 and headquartered in Shanghai.
Total	<u>72,145</u>	<u>20.4%</u>			

* As of April 30, 2022

Contracts with Customers for Artist Management Business

We enter into service contracts with our artist management customers. We typically provide services to our customers by arranging our managed artists to participate in commercial activities and perform in variety programs, drama series and movies, and we receive services fees in return. Our contracts with customers would set out the details of the performing services to be provided by our managed artists. The majority of our contracts with customers have a term ranging between several days to two years depending on the types of the business activities: (i) a contract for business promotion activities or other commercial activities typically last for a few days; (ii) a contract for entertainment content services typically last for a few days to a few months; and (iii) a contract for endorsement deals typically lasts for a few months to two years. Our services fees are usually paid in installments and settled before the term of the contracts expires. Customers usually own the IP rights in the works our managed artists produced in rendering their services, such as dramatic, artistic and musical works. Customers are typically required to ensure that the performance of our managed artists in such commercial events or entertainment content would not have a negative impact on the public image or reputation of such artists, the breach of which would entitle us to terminate the contracts and receive damages.

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OUR SUPPLIERS

During the Track Record Period, our suppliers consisted primarily of (i) our managed artists and entities controlled by them; (ii) media platforms; (iii) service providers who provide styling, personal security and photography services; and (iv) service providers who provide demos, music compositions and lyrics in connection with our music IP production and operation. The type of suppliers we engage and their scopes of work depend on our needs for the particular business line and may vary from project to project, which may result in our engagement of different major suppliers from year to year.

Our purchases attributable to the five largest suppliers for each year or period during the Track Record Period were RMB152.1 million, RMB229.5 million, RMB424.6 million and RMB120.6 million, respectively, accounting for approximately 43.3%, 53.6%, 61.6% and 61.2% of our total purchases for the corresponding year or period, respectively. The credit period with our five largest suppliers depends on the specific terms in each contract and we generally settle with them through bank transfers.

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders who owned more than 5% of the issued share capital of our Company, had any interest in our five largest suppliers during the Track Record Period.

The following table sets forth details of our five largest suppliers during the Track Record Period.

Year ended December 31, 2019

<u>Supplier</u>	<u>Purchase amount (RMB in thousands)</u>	<u>% of cost of revenue</u>	<u>Years of business relationship*</u>	<u>Nature of purchase</u>	<u>Supplier background</u>
Supplier A	42,915	12.2%	5	Artist management service for certain artists within a specified term	A China-based technology and social media group, located in Beijing, mainly focusing on content production and video streaming, whose major subsidiary is listed on the Nasdaq Stock Market, founded in 2010.
Supplier B	32,274	9.2%	7	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier C	30,367	8.6%	7	Movie production service	A culture and media sole proprietorship enterprise located in Shanghai, founded in 2016.
Supplier D	24,140	6.9%	11	Service provided by artist	Entities controlled by a male managed artist.
Supplier E	22,410	6.4%	4	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Total	<u>152,106</u>	<u>43.3%</u>			

* As of April 30, 2022

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Year ended December 31, 2020

<u>Supplier</u>	<u>Purchase amount (RMB in thousands)</u>	<u>% of cost of revenue</u>	<u>Years of business relationship*</u>	<u>Nature of purchase</u>	<u>Supplier background</u>
Supplier B	133,301	31.1%	7	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier F	27,814	6.5%	5	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier E	25,143	5.9%	4	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier D	24,143	5.6%	11	Service provided by artist	Entities controlled by a male managed artist.
Supplier G	19,094	4.5%	6	Service provided by artist	Entities controlled by a female managed artist, who is a graduate of our Yuehua trainee program.
Total	<u>229,495</u>	<u>53.6%</u>			

* As of April 30, 2022

Year ended December 31, 2021

<u>Supplier</u>	<u>Purchase amount (RMB in thousands)</u>	<u>% of cost of revenue</u>	<u>Years of business relationship*</u>	<u>Nature of purchase</u>	<u>Supplier background</u>
Supplier B	302,465	43.9%	7	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier E	37,443	5.4%	4	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier D	31,242	4.5%	11	Service provided by artist	Entities controlled by a male managed artist.
Supplier H	30,719	4.5%	6	Service provided by artist	Entities controlled by a female managed artist, who is a graduate of our Yuehua trainee program.
Supplier I	22,744	3.3%	6	Service provided by artist	Entities controlled by a female managed artist, who is a graduate of our Yuehua trainee program.
Total	<u>424,613</u>	<u>61.6%</u>			

* As of April 30, 2022

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Four months ended April 30, 2022

<u>Supplier</u>	<u>Purchase amount (RMB in thousands)</u>	<u>% of cost of revenue</u>	<u>Years of business relationship*</u>	<u>Nature of purchase</u>	<u>Supplier background</u>
Supplier B	95,770	48.6%	7	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier E	8,636	4.4%	4	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier H	5,594	2.8%	6	Service provided by artist	Entities controlled by a female managed artist, who is a graduate of our Yuehua trainee program.
Supplier F	5,361	2.7%	5	Service provided by artist	Entities controlled by a male managed artist, who is a graduate of our Yuehua trainee program.
Supplier D	5,233	2.7%	11	Service provided by artist	Entities controlled by a male managed artist.
Total	<u>120,594</u>	<u>61.2%</u>			

* As of April 30, 2022

Relationship with Supplier B

During the Track Record Period, our amount of purchase from Supplier B, enterprises controlled by one of our managed artists, accounted for 9.2%, 31.1%, 43.9% and 48.6% of our cost of revenue in 2019, 2020, 2021 and the four months ended April 30, 2022, respectively. During the Track Record Period, the artist controlling Supplier B had successfully become an established artist in China and maintained his popularity. The revenue attributable to such artist was a major contributor to our revenue growth, in particular starting from 2020. Our revenue growth attributable to such artist accounted for over 80% of our overall revenue growth in 2020, 2021 and the four months ended April 30, 2022. According to Frost & Sullivan, it is an industry norm that a limited number of artists contribute to a significant portion of revenue of their respective artist management companies, according to Frost & Sullivan.

Our Directors are of the view that the relationship between our Group and Supplier B is unlikely to materially adversely change or terminate, because (i) we have renewed our artist management contract with the artist who is in control of Supplier B, which would be effective until 2026, (ii) we have maintained a long-term and stable cooperation relationship with the artist, who is a graduate of our Yuehua trainee program, for over ten years, including his time as a trainee; (iii) the artist has indicated his satisfaction with our efforts in managing and promoting his career and expressed his willingness to maintain a smooth working relationship with us; and (iv) as a major artist management company, our access to crucial resources and our professional artist operation capabilities enables us to effectively promote the career of the artist.

Although we have a thriving business relationship with Supplier B, we have been focusing on (i) increasing our investment in all of our managed artists, the majority of whom have entered into long-term artist management contracts with us with terms ranging from five to 15 years, and enhance

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their popularity and commercial value; (ii) building our talent pipeline and arranging trainees to debut as our managed artists to further expand our artist roster; and (iii) increasing our investment in our music IP production and operation business and pan-entertainment business to further diversify our revenue sources. In the event Supplier B no longer works with us, we believe the above measures will enable us to maintain stable business operations.

Overlapping Customer and Supplier

During the Track Record Period, to the best knowledge of our Directors, five of our artist management and pan-entertainment business customers were also our suppliers who cooperated with us in operating some of our managed artists during the Track Record Period and shared in the artist management revenue we generated from managing such artists. The following table sets forth the details.

Customer/Supplier	Period	Revenue amount (RMB in thousands)	% of total revenue	Nature of revenue	Purchase amount (RMB in thousands)	% of cost of revenue	Nature of purchase
Customer B / Supplier A (Among five largest customers in 2019, 2020, 2021 and the four months ended April 30, 2022, and five largest suppliers in 2019)	FY 2019	35,136	5.6%	Services of artist management, music IP production and operation, and pan-entertainment	42,915	12.2%	Artist management service for certain artists within a specified term
	FY 2020	49,900	5.4%	Services of artist management and pan-entertainment	24	0.0%	Artist management service for certain artists within a specified term
	FY 2021	60,093	4.7%	Services of artist management and pan-entertainment	4,493	0.7%	Artist management service for certain artists within a specified term
	4M 2022	21,504	6.1%	Services of artist management and pan-entertainment	–	–	N.A.
Subsidiaries of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) and its fellow subsidiaries (Among five largest customers in 2019, 2020, 2021 and the four months ended April 30, 2022)	FY 2019	20,203	3.2%	Services of artist management, music IP production and operation, and pan-entertainment	73	0.0%	Artist management service for certain artists within a specified term
	FY 2020	62,827	6.8%	Services of artist management and music IP production and operation	24	0.0%	Online store operating services
	FY 2021	95,004	7.4%	Services of artist management, music IP production and operation, and pan-entertainment	1,486	0.2%	Artist promotion services
	4M 2022	13,340	3.8%	service of artist management	–	–	N.A.

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Customer/Supplier	Period	Revenue amount (RMB in thousands)	% of total revenue	Nature of revenue	Purchase amount (RMB in thousands)	% of cost of revenue	Nature of purchase
Fellow subsidiaries of Quantum Jump(北京量子躍動科技有限公司)	FY 2019	10,314	1.6%	Services of artist management and music IP production and operation	–	–	N.A.
(Among five largest customers in 2021 and the four months ended April 30, 2022)	FY 2020	12,350	1.3%	Services of artist management	–	–	N.A.
	FY 2021	63,737	4.9%	Services of artist management, music IP production, and operation and pan-entertainment	452	0.1%	Pan-entertainment services
	4M 2022	11,688	3.3%	Service of artist management, music IP production and operation, and pan-entertainment	553	0.3%	Pan-entertainment services
Customer E / Supplier J	FY 2019	12,972	2.1%	Services of artist management and pan-entertainment	–	–	N.A.
(Among five largest customers in 2021)	FY 2020	5,191	0.6%	Services of artist management	–	–	N.A.
	FY 2021	49,329	3.8%	Services of artist management and music IP production and operation	90	0.0%	Artist promotion services
	4M 2022	6,445	1.8%	Services of artist management, music IP production and operation	–	–	N.A.
Customer F / Supplier K	FY2019	4,076	0.6%	Services of artist management, music IP production and operation, and pan-entertainment	1,992	0.6%	Music IP operation and production services
(Among five largest customers in the four months ended April 30, 2022)	FY2020	23,902	2.6%	Services of artist management, music IP production and operation, and pan-entertainment	1,195	0.3%	Music IP operation and production services
	FY2021	20,776	1.6%	Services of artist management, music IP production and operation, and pan-entertainment	1,256	0.2%	Music IP operation and production services
	4M2022	14,607	4.1%	Services of artist management, music IP production and operation, and pan-entertainment	409	0.2%	Music IP operation and production services

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Negotiations of the terms of our sales to and purchases from the overlapping customer and supplier were conducted on a project-by-project basis. In light of our premium industry resources and market leading position, we have established solid business relationships with our overlapping customer and supplier. Our sales to and purchases from our overlapping customers and suppliers were not related to or inter-conditional upon each other. Our Directors confirmed that all of our sales to and purchases from these overlapping customers and suppliers were entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant times, conducted in the ordinary course of business under normal commercial terms and on arm's length basis. As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders who owned more than 5% of the issued share capital of our Company, had any interest in any of our overlapping customers and suppliers during the Track Record Period.

Quality Control

We are dedicated to providing high-quality services and products to our customers. To that end, we have established quality control measures.

With respect to our artist management business, we select the managed artists that are best suited to fulfill customers' demand after thorough evaluation of the public image, talent and skills of the artists. We maintain close contact with our customers and managed artists during the project and serve as their first point of contact. By closely keeping track of the customers' needs and accommodating their requests on a timely manner, we ensure that the services we provided meet the customers' requirements.

For our music IP production and operation, our music production team closely monitors the quality and progress of our own music production. We have established standard operating procedures which cover the entire music production process, from project initiation to delivery, and conduct stringent quality review of our musical works before delivering to customers. Our music production team also monitors the production services provided by our suppliers, such as lyricists, music composers and manufacturers/distributors of music production equipment. We select our suppliers based on a number of factors, including the quality of their products or services, their track records and reputation in the industry, and review the quality of their services or products on a regular basis.

AWARDS AND RECOGNITIONS

As a result of the success of our artist management and music IP production and operation businesses, our managed artists have won multiple awards. In particular, our managed artists and artist groups received the following major awards during the Track Record Period.

<u>Year</u>	<u>Awards</u>	<u>Receiving Artist or Artist Group</u>	<u>Issuing Organization</u>
2022	Rookie Solo Artist and Idol Entertainer at the 2022 Brand Customer Loyalty Awards	Ms. Choi Ye-na	The Korean Consumer Forum and Brand Keys
2022	The First Place in "M Countdown"	Ms. Choi Ye-na	Mnet
2021	Figaro Style Festival (費加羅風尚盛典) – Singer of the Year (年度風尚魅力歌手)	Mr. Wang Xi	Madame Figaro China (《Madame Figaro 中文版》雜誌)
2021	2020 Weibo Night (2020微博之夜) – The Most Popular Person of the Year (微博年度熱度人物)	Mr. Wang Yibo	Sina (新浪)

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Year	Awards	Receiving Artist or Artist Group	Issuing Organization
2021	2020 Weibo Night (2020 微博之夜) – Rising Star of the Year (微博年度進取藝人)	Ms. Wu Xuanyi	Sina
2021	2020 Douyin Star Night (2020 抖音星動之夜) – Most Popular Group of the Year (年度人氣團體)	NEXT	Douyin (抖音)
2021	Lifestyle Cloud Gala Awards (精品風格雲盛典) – Most Promising Actor (最具潛力演員)	Mr. Bi Wenjun	Lifestyle (《精品購物指南》雜誌)
2020	Sina Fashion Style Awards (新浪時尚風格大賞) – Promising Actor (年度突破藝人)	Mr. Hu Chunyang	Sina Fashion (新浪時尚)
2020	The 17th Esquire Man at His Best Awards (第17屆時尚先生盛典) – Variety Show Star of the Year (年度綜藝人物)	Mr. Huang Minghao	Esquire (《時尚先生》雜誌)
2020	iQIYI Scream Night (愛奇藝尖叫之夜) – The Most Anticipated New Actor and Variety Program Star of the Year (年度最受期待新人演員和年度綜藝之星)	Mr. Fan Chengcheng	iQIYI (愛奇藝)
2020	The 30th China TV Golden Eagle Awards (第30屆中國電視金鷹獎) – Audience Choice for Actor (觀眾喜愛的男演員)	Mr. Wang Yibo	China Federation of Literary (中國文學藝術界聯合會) and Art Circles and China TV Artists Association (中國電視藝術家協會)
2019	COSMO Glam Night (COSMO 時尚美麗盛典) – Heritage · Beauty of the Year Award (「傳承·美」年度人物)	Mr. Zhu Zhengting	Cosmopolitan (《時尚COSMO》雜誌)
2019	The 31st Anniversary Music Pioneer Gala Awards (音樂先鋒榜三十一載榮耀盛典) – Best Singer (傑出歌手) and Best Stage Performance Awards (最佳現場演繹獎)	Mr. Wang Xi	Music FM Radio Guangdong, Guangdong Satellite TV, Pearl River Channel and 29 provincial music radios
2019	The 26th Chinese Top Ten Music Awards (第26屆東方風雲榜音樂盛典) – Best Male Group (Asia) (亞洲人氣男團) and Male Group of the Year (最受歡迎偶像男團獎)	NEXT	Shanghai Media Group (上海廣播電視臺)

INTELLECTUAL PROPERTY

We rely on a combination of copyrights, trademarks, domain names as well as confidentiality or licensing agreements with our employees, customers, suppliers and other third parties to protect our intellectual property. As of the Latest Practicable Date, we obtained in the PRC (i) 27 copyrights registration certificates in relation to artwork; (ii) 370 registered trademarks; and (iii) one registered domain name.

In relation to the registration of our copyrights for our musical works, the registration of the copyrights of musical works is not necessary or required as the copyright of the musical works is deemed to belong to and owned by the producer of the musical works under the PRC laws. Therefore, as we produce our own musical works, in regardless of whether the copyrights of the musical works have been registered or not, we own the copyrights. Notwithstanding this, we have stringent internal

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measures to protect our intellectual property rights and our legal department is responsible for enforcing our intellectual property rights against any infringement.

COMPETITION

We compete with various players in each sector of China's entertainment industry in which we operate our businesses.

According to Frost & Sullivan, the artist management market in China is highly competitive and fragmented with more than 1,200 market players as of December 31, 2021, primarily including professional artist management companies, platform-based artist management companies, content-based artist management companies and artist management studios. According to Frost & Sullivan, the top five artist management companies generated an aggregate revenue of RMB3.4 billion in 2021, representing approximately 5.5% of the total market share for the same year. In terms of revenue generated from the artist management business in 2021, among all the artist management companies in China, we ranked first with a market share of approximately 1.9%. We believe the competition in the artist management market is based on the quality of managed artists and the ability to identify, train and promote fresh talents. We believe our competitive edge lies in our unique Yuehua model, our well-rounded managed artists and our business presence both in China and Korea.

We have built a systematic Yuehua model which involves artist training, artist operation and artist promotion, which covers the whole lifecycle of artist management. According to Frost & Sullivan, we are one of the few artist management companies in China that provides a professional and systematic trainee program. We have meticulously designed our trainee program with balanced curriculum, professional instructors from both China and overseas, and an evaluation system to monitor and assess the progress of each trainees. As it takes years of efforts as well as deep understanding of the Chinese artist management market to design and operate such a system, it cannot be easily replicated.

Graduates of our trainees have typically received at least three years of professional training in singing, dancing and acting. Once they become our managed artists, they are well-equipped to advance their career in multiple fields, especially in singing and dancing. With our rich industry resources and experienced artist operations team, the newly debuted artists can soon grow into well-rounded, established artists.

Furthermore, with our industry experience in China's artist management market and our presence in Korea, we have gained deep knowledge of both Chinese and Korean entertainment culture. Our business presence in Korea enables us to monitor the latest trends in both markets, promote our artists both in China and Korea, and constantly improve our Yuehua model leveraging our domestic and overseas resources.

With respect to our music IP production and operation business, we believe that we face competition from other record labels who have a larger pool of music IPs.

For more details about the sectors of China's entertainment industry and our competitive landscape, see "Industry Overview."

LICENSES AND PERMITS

As advised by our PRC Legal Advisor, we had obtained all material licenses, permits and approvals required for our operation, which were valid and remained in effect as of the Latest

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Practicable Date. Set forth below are the key PRC permits we held as of the Latest Practicable Date for our operation.

<u>License</u>	<u>Issuing authority</u>	<u>Holder</u>	<u>Date of issuance</u>	<u>Date of expiration</u>
Commercial Performance License (營業性演出許可證)	Beijing Municipal Bureau of Culture (北京市文化和旅游局)	Yuehua Limited	October 20, 2021	October 19, 2023
Commercial Performance License (營業性演出許可證)	Tianjin Municipal Bureau of Culture (天津市文化和旅游局)	Tianjin Yuehua	May 24, 2021	May 31, 2023
Commercial Performance License (營業性演出許可證)	Department of Culture of Tibet Autonomous Region (西藏自治區文化廳)	Tibet Yuehua	December 31, 2021	January 9, 2024

We monitor the validity status of our licenses and permits on a regular basis, and make timely applications for the renewal of the relevant licenses and permits prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses and permits for our business operation during the Track Record Period and up to the Latest Practicable Date.

In addition, individuals who engage in artist management activities, such as managers, shall obtain the Performance Brokerage Qualification Certificate (演出經紀資格). For details, see “Regulations—Laws and regulations in relation to our business in the PRC—Regulations relating to performance brokerage agency.” As advised by our PRC Legal Advisor, we maintained sufficient number of employees who had obtained the Performance Brokerage Qualification Certificate for managing our managed artists and trainees as required by relevant laws and regulations as of the Latest Practicable Date.

WORKPLACE SAFETY

We place emphasis on occupational health and work safety in the operation of our business. We have adopted a preventive approach with an emphasis on hazard management and risk assessment. To aid this approach, we have established safety plans and in-house rules to provide our employees with a safe and healthy working environment by specifying various safety measures in the employee handbook that was distributed to all employees.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material accidents during our operation, nor had we been subject to any material claims for personal or property damages or for health or safety related compensation.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We steadfastly believe that corporate social responsibility and sustainable growth are instrumental to the continuing prosperity of our industry and business. We are dedicated to integrating the principles for environmental, social and corporate governance (“ESG”) with all aspects of our day-to-day business. We have adopted an ESG policy which sets forth the constitution and obligations of our ESG committee, ESG governance structure, ESG strategy formation procedures, and ESG risk management and monitoring. Pursuant to our ESG policy, our Board assumes the overall responsibility

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of overseeing the implementation of our ESG policy, identifying, assessing and managing the influence of important ESG matters, such as climate-related risks and opportunities, and setting goals in respect of ESG-related matters. The ESG committee, which is a sub-committee of the Board, shall be composed of five or more directors of the Board, including a majority of non-executive Directors. ESG Committee is led by Mr. Sun Yiding (孫一丁) and members include Mr. Sun Le (孫樂), Mr. Liu Ya (劉亞), Mr. LU Tao (呂濤), Mr. Huang Jiuling (黃九嶺) and Mr. Zhang Wensheng (張文勝). The ESG committee is tasked with determining and reviewing our ESG target, strategy and internal policy, identifying ESG-related risks and opportunities, and reviewing and monitoring ESG practices. The ESG Committee is also responsible for compiling ESG reports to be reviewed by the Board.

In addition, we have engaged an ESG consultant to provide professional advice for determining, reviewing, and carrying out our ESG policies. We intend to discuss with the ESG consultant from time to time to find out whether all material ESG issues have been identified and reported to the management. We will also review and assess the ESG reports of similar companies so that relevant ESG related risks are identified on a timely basis.

Environmental Sustainability

Risk and Opportunities

As a result of global warming, extreme weather and climate conditions such as blizzards, typhoons, and rainstorms are becoming more frequent. Associated physical damage, transition risks and shift in market perception and preference of the public towards more environmentally friendly products and services have all made climate change a prominent issue for businesses. We have identified the following risks that climate change poses.

Physical Risks

We may suffer economic losses if tours and concerts we organize, co-produce or co-invest in are delayed or canceled due to extreme weather. The sudden cancelation or postponement of such events will incur extra costs and may affect our revenue. In addition, properties and equipment owned by us in preparation for the scheduled events may be damaged due to extreme weather condition. Besides, when our managed artists provide services to customers, such as participating in offline business promotion activities, other commercial activities, or performing in movies, drama series and variety programs, the timely completion of such services may be hindered by extreme weather events, which may cause a disruption to our artist management activities.

To mitigate the risks, we will closely monitor the daily observatory prediction during the organization of offline tours and concerts, and will notify our employees and other personnel promptly with any related measures in case of extreme weather conditions. Furthermore, we will factor in extreme weather risks when negotiating and entering into contracts with potential customers to minimize our economic losses under extreme circumstances.

Transition Risks

Transition risk refers to the financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate regulation and policy, market sentiment and customer preference.

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The products or services our managed artists endorsed may be exposed to unexpected criticism, such as potential negative impact on environment which may be caused by certain ingredients or the production process of the products. The movies, drama series and variety programs in which our managed artists perform may also face unexpected criticism if the filming process has raised environmental issues. The potential reputation risk for our Group and our managed artists can have a negative effect on our operation.

In light of the public awareness of environment protection and climate change, we have attached increasing importance to environmental impact in our artist management activities. We will carefully evaluate risks of each endorsement deal and entertainment content production project to minimize the risk of any misinterpretation or criticism. We will also regularly reflect on the market perception of environmental issues, and climate-related regulatory and policy changes from time to time in order to mitigate transition risks.

Concurrent with the environmental, social, and climate-related risks are opportunities. Underpinned by corporate social responsibility, we are committed to bringing positive social impact through entertainment products and services.

Movies, drama series, and variety programs can play an influential role in helping raise awareness of the need to tackle global problems, including climate changes. High-quality entertainment content that explores environmental and climate-related themes is likely to become ever more popular as it meets the changing market sentiment and public awareness. Endorsement deals for environmental-friendly products and services can also enhance the popularity and commercial value of our artists, given the growing environmental awareness. In addition, benefiting from our cooperation with many charitable organizations, our managed artists can use their influence to increase public awareness of important environmental issues, which also help build up their reputation and enable them to make a positive impact.

While our business operation does not produce pollutants that have direct impacts on our environment, we have taken combined measures to facilitate the fulfillment of our commitment to the environment and reduce our carbon footprint. Specifically, along with other measures, we (i) actively encourage our procurement team to purchase recyclable materials for office, (ii) facilitate the use of electronic documents to reduce the use of paper, (iii) instruct employees to turn off indoor lights, electronic equipment and air conditioning in time after leaving the meeting room and before getting off work, (iv) impose temperature controls for air conditioning, (v) promote the use of online video conference system to avoid unnecessary travels, (vi) set up waste sorting bins in the office, (vii) formulate internal policy addressing foregoing requirements for electricity and paper saving for our employees, and (viii) put in place a battery recycling container for used batteries to prevent pollution. Moreover, our managed artists also enthusiastically participate in a variety of environmental campaigns to raise people's awareness on this topic. For example, Mr. Wang Yibo and Mr. Hu Chunyang in various campaigns to raise people's awareness of environmental protection and advocate for low-carbon lifestyles to reduce greenhouse gasses and save resources. During the Track Record Period, we did not experience any material occupational, health and safety, or environmental incidents and were in compliance with relevant laws and regulations in all material respects.

ESG and Climate-related Risk Indicators and Targets

We believe in the importance of protecting the environment and balancing our role as a for profit company with the betterment of the planet. We will continuously improve employees' awareness

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of environmental protection and resource conservation. We have also established a monitoring system to regularly carry out supervision and inspections.

Under our ESG policy, we have established a set of key performance indicators to evaluate our environmental impact and guide our business operations, which mainly include greenhouse gas emissions and resource consumption. Greenhouse gas emissions include Scope 1 and Scope 2 emissions: (i) Scope 1 direct emissions include greenhouse gas emissions from vehicles; and (ii) Scope 2 energy indirect emissions include greenhouse gas emissions from the purchased electricity.

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

Emissions	2021
Greenhouse gas emissions (tons CO ₂ equivalent)	130.15
Scope 1 (direct emissions) (tons CO ₂ equivalent)	15.88
Scope 2 (indirect emissions) (tons CO ₂ equivalent)	114.27
Intensity (tons CO ₂ equivalent/ m ²)	0.04
Resource Consumption	2021
Total energy consumption (kWh)	241,312.04
Total energy consumption intensity (kWh/ m ²)	65.22
Direct consumption (kWh)	54,016.66
Indirect consumption (kWh)	187,295.38
Water consumption (tons)	1,321.00
Total water consumption intensity (tons/ m ²)	0.36

Our managed artists utilize energy, material, and other resources in providing services to customers. As a large portion of resources are provided by customers and third parties, we do not have a comprehensive record system in place.

To better protect the environment, we have decided to establish the following targets with respect to our greenhouse gas emissions and resources consumption:

Targets

Strategy Themes	Approaches	Target for 2022
Strengthen internal control	The ESG committee will work with an external expert to understand the ESG international trend and advise on the implementation and update of our ESG policy	Establishing specific performance targets regarding resource consumption and energy efficiency
Record keeping	The ESG committee will work with other internal teams to keep a record of our general energy utilization and resources consumption	Setting up a record-keeping system for internal teams to keep certain environmental metrics for future improvement and reporting

Social Responsibility

We consider corporate social responsibility as a fundamental part of our corporate culture. We are committed to promoting corporate social responsibility through charitable endeavors and guiding our managed artists to become the role models for the future generation.

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We actively showed our support in fighting the COVID-19 pandemic. Together with our business partners and our managed artists, we donated protective clothing and other necessary supplies to affected cities. Our managed artists also performed a number of musical works as a tribute to front liners of the COVID-19 pandemic and to convey love and hope during those challenging times. During the torrential rain floods in Henan Province, we and our managed artists worked with charitable organizations to contribute to flood relief efforts.

As we believe in the power of performing arts in encouraging people to make positive societal impacts, we encourage our managed artists to participate in the performance of high-quality musical works, movies and drama series that are inspiring for the young generation. For example, Mr. Wang Yibo starred in the drama series “Faith Makes Great: Choice (理想照耀中國之抉擇),” Ms. Meng Meiqi performed the song “Thousands of Miles Together (千里同好),” Mr. Zhu Zhengting starred in the drama series “Floating Youth (冰球少年),” Ms. Meng Meiqi and Ms. Wu Xuanyi together performed the song “Little Light (一點點光),” Mr. Hu Chunyang performed the song “Beijing 2022 (2022去北京),” and Mr. Wang Xi performed the song “Long Separation (漫長的告別).”

Recognizing the importance of a sustainable environment, we are committed to increasing public understanding and soliciting public support for environmental protection. We encouraged our managed artists to participate in environmental campaigns. For example, Mr. Li Wenhan, Mr. Han Geng and Mr. Hu Chunyang cooperated with an environmental organization to advocate the preservation of wildlives, the sustainable use of natural resources, the reduction of pollution, and the importance of combating climate change.

We also highly value the importance of public welfare for the disadvantaged groups, and are committed to leveraging our influence to assist and gather support for them. For example, Mr. Wang Xi participated in a campaign to provide free lunch to children in remote villages. Mr. Fan Chengcheng also participated in a charity campaign to raise fund for disadvantaged groups.

In addition, we encourage our managed artists to promote sports and sports events to the wider population. For example, Mr. Wang Yibo cooperated with various sports organization to promote sports activities, such as skateboarding, winter sports and dancing; Mr. Huang Minghao served as the torchbearer of an international sports event in 2022, and ice and snow sports promotion ambassador of a social media platform; and Mr. Zhu Zhengting participated in the sports-themed variety program “Snow Day (飄雪的日子來看你)” and participated in the “Postcards of Love (愛的明信片)” event.

To better implement our ESG policy, we will carefully review our contracts with customers to spot and avoid arrangements that may be contradictory to our ESG policy, such as commercial activities that may result in obsessive waste of food or severe pollution of the environment, or entertainment content that objectify women. If we notice such arrangements in our contract negotiation or performance, we will take active measures to mitigate the risks, such as not entering into the contracts, communicating with the customer to change or cancel the arrangements, terminating the contracts and adopting public relations strategies to undertake proper publicity and minimize any potential impact.

Employee Care

We will continue to build up our Company upon overarching values, including but not limited to, honesty, dedication and passion. We offer equal opportunities to our employees regardless of their

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gender, age, race, religion or any other social or personal characteristics. We celebrate diversity and desire to provide an inclusive workspace for all our employees, so they can feel valued and appreciated for their work. We value the contribution of each employee in different roles and strive to provide a fair and balanced compensation scheme as well as a clear career path. We also support the health and well-being of our employees by providing various benefits, such as annual health checkups and meal allowances.

EMPLOYEES

As of April 30, 2022, we had 197 full-time employees, 148 of whom were based in China. More than 130 of our employees hold a bachelor's degree or above. The following table sets forth the number of our employees by function as of April 30, 2022.

	<u>Number of employees</u>	<u>% of total</u>
Artist operation	55	28.0%
Artist training	35	17.8%
Artist promotion	28	14.2%
Music and Pan-entertainment Business	34	17.2%
Administration	45	22.8%
Total	<u>197</u>	<u>100.0%</u>

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We do not, and are not required by PRC laws to, maintain any business interruption insurance, key man life insurance, third-party liability insurance or any insurance for our leased properties. We also do not maintain insurance against risks relating to the contractual arrangements. See “Risk Factors—Risks Relating to Our Business and Industries—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.”

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

PROPERTIES

During the Track Record Period, we had properties that were either owned or leased by us to conduct our business operation. These properties are primarily used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Our properties mainly include land and buildings primarily used as our office premises, training facilities and dormitories for our trainees.

Owned Properties

As of the Latest Practicable Date, we owned a property located at 403, Nonhyeon-ro, Gangnam-gu, Seoul, Korea, which is used as the headquarters of Yuehua Korea (the “Korean

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Property”). Part of the Korean Property is held by our Group for letting. Based on the most recent audited consolidated statements of financial position of our Group as of April 30, 2022, as the book value of the leased part of the Korean Property is above 1% of our total assets, we have included a valuation report of our interest in the Korean Property as Appendix III to this prospectus, pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules.

According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land and buildings, because as of April 30, 2022, we had no single property interest with a carrying amount of 15% or more of our total assets.

Leased Properties

As of the Latest Practicable Date, we leased several properties in China and Korea, with an aggregate gross floor area of approximately 4,950 square meters and 3,638 square meters, respectively, from independent third parties, which are primarily used as our office premises, training facilities and dormitories for our trainees. During the Track Record Period, we had not experienced any material difficulty in renewing our tenancy agreements or locating new premises. Furthermore, we do not foresee any major difficulties or impediments in renewing the relevant leases upon their expiration.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local counterparts of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained lease registration for certain properties that we leased in China, primarily due to the difficulty of procuring our lessors’ cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. Our PRC Legal Advisor has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws. For details, see “—Compliance and Litigation—Non-registration of Leases.”

DATA PRIVACY AND SECURITY

As an artist management company operating in the entertainment industry, we are not heavily engaged in the collection or processing of private data. We may have access to certain data of our managed artists, our trainees and applicants who applied to participate in our trainee auditions, which mainly include personal information such as names, ID card information, contact addresses, telephone numbers and email addresses. In addition to personal data, we may also have access to certain business data provided by our business partners. As to our artist management business, we obtain certain sales data of some of the commercial promotion activities in which our managed artists participate in settling with our customers. As to our music IP production and operation business, we obtain certain public data on rankings of our musical works on music streaming platforms. When we settle with music streaming platforms, we also obtain data of downloads and sales of music works produced by us for the purpose of accounting. During the Track Record Period, in conducting virtual artist business, we also obtained data regarding clicks and views of the performance of virtual artists which is publicly available.

We mainly collect data that is publicly available, or personal information provided by applicants, trainees and artists with their consent, and business data provided by our business partners.

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We use personal information only for the purpose of trainee selection, providing trainees and artists with appropriate training and artist operation services in accordance with the contracts signed with them. With respect to business data, we mostly use it for accounting and expense settlement with our business partners. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any investigation, penalty or recourse with respect to data security and personal information protection.

We set up official fan club accounts on Weibo for our managed artists and publish posts with latest updates of the artists. Those who have accounts on Weibo can choose to follow our official fan club accounts. We only have information that is publicly available on Weibo, such as the number of followers of each fan club account, as well as followers' nicknames and profile pictures. We may also have fans' email addresses if they contact us via email. In the course of our business, we do not actively collect or maintain any personal information of the fans of our managed artists.

Based on the facts above, our PRC Legal Advisor is of the opinion that we have complied with the laws and regulations on data security and personal information protection in all material aspects up to the Latest Practicable Date.

COMPLIANCE AND LITIGATION

We may be involved in legal or other disputes in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending litigation, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation. Our Directors had not been involved in any actual or threatened material claims or litigation during the Track Record Period and up to the Latest Practicable Date.

We are subject to a wide range of PRC laws and regulations in the ordinary course of business. For details, see "Regulations." During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole. The following sets forth certain incidents which we consider to be immaterial and do not constitute material or systemic non-compliances.

Social Insurance and Housing Provident Funds

During the Track Record Period, we did not make contributions to social insurance and housing provident fund in full for some employees of Yuehua Limited, Tianjin Yuehua and Tibet Yuehua in accordance with the relevant laws and regulations in the PRC. 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.

To the best of our knowledge and based on the written confirmation (with the authority's chop affixed but without the identities or positions of the officials) issued by the relevant government

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authorities for the relevant subsidiaries, during the Track Record Period, no administrative action or penalty had been imposed on us by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. Such government authorities include Chaoyang District of Beijing Human Resources and Social Security Bureau (北京市朝陽區人力資源和社會保障局), Tianjin Human Resources and Social Security Bureau (天津市人力資源和社會保障局), and Yadong County of Tibet Human Resources and Social Security Bureau (西藏自治區亞東縣人力資源和社會保障局). Our PRC Legal Advisor is of the view that the above authorities providing the written confirmations are competent authorities. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by our employees regarding our social security insurance and housing provident fund policy.

We have enhanced our internal control measures, including designating our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a regular basis, and have taken actions to make full contributions for all employees of the subsidiaries. We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

During the Track Record Period, our subsidiaries, Tianjin Yuehua and Tibet Yuehua, engaged a third-party human resources agency to pay social insurance and housing provident funds for certain of our employees. Such arrangements, although not uncommon in China, are not in strict compliance with relevant PRC laws and regulations. We entered such payment arrangements with third-party human resources agencies in order to enable the employees of Tianjin Yuehua and Tibet Yuehua to enjoy the social insurance and housing provident funds in the location where they work. The third-party human resources agency has confirmed in writing that they have paid such contributions pursuant to our agreements with them.

As of the Latest Practicable Date, we had terminated the arrangements with the third-party human resources agency. We currently make contributions to social insurance and housing provident funds directly for all of our employees.

For the years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2022, the aggregate amount of the under-contribution of social insurance and housing provident fund and the amount of social insurance and housing provident fund paid through the third-party human resources agency amounted to RMB1.8 million, RMB2.4 million, RMB1.5 million and nil, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties for the social insurance non-compliances and therefore did not incur any penalties.

Our Directors believe that the above-mentioned failures to fully comply with relevant PRC laws would not have a material adverse effect on our business and results of operations, considering that: (i) to our knowledge and based on the written confirmations issued by the competent government authorities of the relevant subsidiaries, we had not been subject to any administrative penalties during the Track Record Period; (ii) neither were we aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds; (iv) the relevant subsidiaries have made undertakings that they would pay the

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outstanding amount of contributions to social insurance and housing provident fund within a prescribed time limit if any formal notifications were issued by relevant PRC authorities; and (v) as advised by our PRC Legal Advisor, considering the facts stated above, the likelihood that we are required to pay the historical arrears or are subject to any penalties imposed by the relevant PRC authorities due to our failure to make contribution to social insurance and housing provident funds in full for our employees is remote.

Non-registration of Leases

As of the Latest Practicable Date, we leased several properties in China, with an aggregate gross floor area of approximately 4,950 square meters from independent third parties, which are primarily used as our office premises, training facilities and dormitories for our trainees. Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local counterparts of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained lease registration for certain properties that we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases.

Our PRC Legal Advisor has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws. However, we may be required by the competent authority to rectify non-compliance, and if we fail to rectify within the prescribed time limit, a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. Under the PRC law, the maximum penalty the Group may be subject to for non-registration of lease contracts is RMB60,000 as of the Latest Practicable Date. See “—Properties” and “Risk Factors—Risks Relating to Our Business and Industries—We may face penalties for the non-registration of our lease agreements in China.”

The relevant properties are used mainly as our office spaces. Our Directors are of the view that that the abovementioned defects would not materially and adversely affect our business operations because: (i) if we have to terminate the leases or relocate from such leased properties with defects, we are able to relocate to qualified alternative premises within a short period of time under comparable terms without to the incurring substantial additional costs; (ii) even if we experience a temporary interruption in our usage of any of the relevant properties, we believe that our employees can continue to perform the material aspects of their duties remotely; (iii) our offices in other locations can also adequately support our ongoing business operations before we find a replacement. Therefore, we do not rely on existing leases for our business operations, and we do not believe a contingency relocation plan is required. Under PRC law, the lack of lease registration does not cast any actual or potential impact on our Group's material licenses. Our PRC Legal Advisor has advised us that such defects do not cast any actual or potential impact on our material licenses.

RECENT REGULATORY DEVELOPMENT

A series of new regulations and policies have been issued and promulgated in recent years by certain PRC regulatory authorities in the PRC with a purpose to encouraging healthy and orderly development of the entertainment market.

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Regulations relating to Management of the Activities of Artists and Artist Management Companies (collectively, the “Notices” and each a “Notice”)

<u>Regulations</u>	<u>Promulgation Date</u>	<u>Regulating Authority</u>	<u>Regulated Party</u>	<u>Key Provisions</u>
1 Notice on Further Strengthening the Supervision of the Chaotic Celebrity Fan Culture (《關於進一步加強“飯圈”亂象治理的通知》)	August 25, 2021	Office of the Central Cyberspace Affairs Commission (中共中央網絡安全和信息化委員會辦公室)	Artists and their studio and fans group	(i) strengthening the responsibility of artist management companies to guide fans to act responsibly; (ii) prohibiting the incitement of fans to spend money irrationally, such as ranking fans in terms of spending on artists; (iii) prohibiting paid voting for artists in variety programs; (iv) requiring market participants to strictly prohibit minors from spending money for artists and restricting them from engaging in various fan club activities; (v) tightening regulation on fans’ fund raising activities to promote artists.
2 Notice on Emphasizing the Management and Regulation of Entertainment Programs and Related Personnel (《關於進一步加強文藝節目及其人員管理的通知》)	September 2, 2021	NRTA	Radio and television institutions and online audiovisual platforms and practitioners	Broadcasting and television organizations and online video platforms (i) must not allow artists (a) who have committed illegal or immoral acts, (b) who have incorrect political stances and whose thoughts and values have diverged from core societal values, and (c) who have violated public order or morality to perform; (ii) must not broadcast variety programs in the idol development genre; (iii) must not use voting mechanisms that induce the audience to spend money on contestants in competitive variety programs; (iv) must not use “yin-yang contracts” and shall strictly implement the regulations on maximum wages for artists who provide entertainment content services; and (v) strengthen supervision on content.

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	Regulations	Promulgation Date	Regulating Authority	Regulated Party	Key Provisions
3	The Notice on Regulating Performance Agency Conduct, Strengthening Administration of Performers and Promoting the Healthy and Orderly Development of Performance Market (《關於規範演出經紀行為加強演員管理促進演出市場健康有序發展的通知》)	September 29, 2021	Ministry of Culture and Tourism	Artist management companies, artists' related entities	(i) those who engage in performance agency activities and artist management activities shall obtain a Commercial Performance License (營業性演出許可證); (ii) those who engage in artist management activities shall obtain a Performance Brokerage Qualification Certificate (演出經紀資格); (iii) those who engage in performance agency or artist management activities for minors shall guarantee the minors' right to receive and complete mandatory education pursuant to the relevant laws and regulations; and (iv) those who engage in artist management activities shall strengthen their guidance of fan behaviors, supervise the contents of the social media accounts of authorized fan clubs, and urge artists to take the initiative to express their opinions and provide positive guidance for fans groups when they have inappropriate behaviors.
4	Notice on Further Strengthening the Work Related to the Regulation of Online Information for Entertainment Artistes (《關於進一步加強娛樂明星網上信息規範相關工作的通知》)	October 26, 2021	Office of the Central Cyberspace Affairs Commission	Celebrity artists, fan clubs, artist management companies, entertainment marketing accounts and MCNs organizations they are affiliated with	The official social media account of an artist's fan club must be authorized or certified by the artist's artist management company, which shall be responsible for the daily maintenance and supervision of the account. Unauthorized individuals or organizations are not allowed to register social media accounts for artist fan clubs.

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Regulations	Promulgation Date	Regulating Authority	Regulated Party	Key Provisions
5 Administrative Measures for Performance Agencies in the Field of Radio, Television and Online Audio-visual Platforms (《廣播電視和網絡視聽領域經紀機構管理辦法》)	May 20, 2022	NRTA	Artist management companies and managers	Artist management companies (i) shall confirm the identity of its managed artists; (ii) shall obtain the consent of the guardians when providing artist management services to minors, and shall not arrange minors to perform in activities that would harm their physical or psychological well-being; (iii) shall not arrange its managed artists to perform in illegal or immoral entertainment content; (iv) shall recruit enough staff to meet business needs and the ratio of the number of managers to the number of their managed persons shall be no lower than 1/100 in principle; (v) shall not authorize minors to serve as the owner or operator of the official social media accounts of an artist's fan club; (vi) shall not publish, or hire others to publish, information that could incite fans to attack each other; and (vii) shall not arrange managed artists to perform in advertisements with illegal content.

Our PRC Legal Advisor is of the opinion that the Notices mainly focuses on purifying the entertainment industry through strengthening regulation on fan culture, prohibiting bad examples and filtering substandard market players.

Under the above-mentioned regulations, our Group is responsible for (i) maintaining and monitoring the official social media accounts of fan clubs of our managed artists, (ii) encouraging fans to take socially responsible actions, and (iii) acting together with our managed artists to prevent behaviors such as inciting fans to spend money, involving minors in fan club activities or raising fund to support our managed artists. The Notices also require our Group to possess all necessary licenses and permits and protect the legal right of minors in conducting our artist management activities.

In addition, the Notices require our managed artists and their related entities, who are our main suppliers, to act responsibly. “Tainted artists” who have committed illegal or immoral acts, have an incorrect political stance, or have violated public order and ethics are prohibited to be engaged by any market participants.

Some of our customers are also subject to the Notices. Media platforms and content production companies which engage our managed artists for entertainment content services have decided not to produce or broadcast variety programs in the idol development genre, which are prohibited under the Notices. Some music streaming platforms which license our music IPs have imposed limitation on the number of copies of a digital single or album a user can purchase on its platform, as the Notices prohibits inciting fans to spend money to support artists.

Activities of Fan Clubs

We have set up official fan club accounts for our managed artists on Weibo in order to better communicate with followers and provide guidance on their behavior. In reaction to the requirements in the Notices regarding fan club activities, we have adopted comprehensive internal control measures to reduce the risks in relation to the fan clubs of our managed artists, including (i) requiring our artist promotion team to review and make sure that the content published by us on the fan club accounts is accurate and in compliance with the Notices; (ii) monitoring internet content in relation to our fan club accounts from time to time, and if our artist promotion team spots any content posted by followers that are prohibited by the Notices, they will, either through communicating with the followers or through posting guidance on the fan club accounts, guide the followers to act in a manner in compliance with the regulations, such as deleting the prohibited content posted by the followers; (iii) avoiding engagement in any fund raising activities by fans to promote artists, such as fans raising funds to buy flowers, snacks and gifts for artists' birthday celebrations and concerts activities, or acceptance of any money from fans for promotion of artists, and (iv) posting reminders on our official fan club accounts to advise and remind minors to avoid spending money for artists or engaging in fan club activities. Our artist promotion team and legal team also keep track of recent regulatory changes so that they will not engage in the activities prohibited or discouraged by the regulations. We had not been subject to any review, inquiry or investigation by any PRC regulatory authority for fan club-related activities during the Track Record Period and up to the Latest Practicable Date.

Because the Notices prohibit the incitement of fans to spend money irrationally, such as ranking fans in terms of spending on artists, a major music streaming platform in China we have cooperated with adopted restrictive rules on the purchase number of digital albums and singles. The restriction, though not explicitly required under the Notices, resulted in a decrease in the royalties we derived from digital singles and albums in 2021. Such decrease is partially offset by revenue generated from our non-exclusive contract with another major music streaming platform in China, entered into after the release of the Decision on Certain Major Digital Streaming Platforms to Relinquish Exclusive Deals Held with Its Suppliers (《市場監管總局作出責令解除網絡音樂獨家版權等處罰》). For details, see “—Recent Regulatory Development—Regulations relating to anti-trust control.”

Artist Behavior

During our artist operations and artist training activities, we place importance on helping our trainees and managed artists develop sound moral character to help them build a positive public image and avoid involvement in illegal activities or behavior which deviates from societal core values. In deciding whether to sign a trainee as our managed artist, we carefully consider whether the trainee has sound character and whether the trainee has committed any illegal or immoral act. In reaction to the requirements in the Notices regarding artist behavior, we have also established and adopted comprehensive internal measures and policies in supervising and monitoring the conduct of our managed artists including (i) monitoring the artists' exposure on the internet, such as the content published by their social media accounts, and give proper advice on the information and public image the artists convey to the public; (ii) carefully selecting business projects for our managed artists, and review the contracts we enter into with our customers to ensure that they do not contain anything that is prohibited under the Notices, such as content designed to incite fans to spend money irrationally; and (iii) circulating updated laws, regulations and policies in relation to the entertainment industry, including industry ethics, maximum wage order and taxation management, to our managed artists and their related entities from time to time. For details, see “—Risk Management and Internal Control Systems—Artists' Conduct Risk Management.”

We also have a morals clause in our artist management contracts and trainee contracts, which prohibits them to commit any illegal or immoral acts, and would allow us to terminate the contract if a managed artist or trainee commits misconduct that might negatively affect our reputation. Notwithstanding that our Directors consider the operational and legal risks to be remote, if any of our managed artists or trainees fails to comply with the Notices, we will require the artist to rectify such non-compliance. We may also terminate the contract with the artist and claim for damages pursuant to the artist management contract.

Supervision on Entertainment Content

The Notice on Further Strengthening the Management of Cultural Programs and their Personnel (《關於進一步加強文藝節目及其人員管理的通知》) (the “Cultural Programs Notice”) requires broadcasting platforms to strengthen supervision on content they broadcast. For example, they shall not use voting mechanism in competitive variety programs or broadcast idol development variety programs. During the Track Record Period, certain of our managed artists and trainees had performed in variety programs in the idol development genre produced and broadcast by leading online video platforms in China. Pursuant to the Notices, no variety programs in the idol development genre shall be broadcast on online video platforms or TV networks. Following the release of the Cultural Programs Notice, none of our managed artists or trainees had participated in any variety program in the idol development genre. Such change did not have a material adverse impact on our business operation or financial performance, because (i) other than performing in variety programs, we have established multiple channels for our trainees to debut, such as publishing musical works for the trainees and arranging them to perform in drama series, “showcase” activities and other types of entertainment content; and (ii) we typically did not derive any revenue from the participation of our trainees or managed artists who attended in idol development programs as contestants.

We invested in, through Horgos Yuehua, a variety program with a leading online video platform in China. The program would feature some of our trainees and managed artists. Following the release of the Cultural Programs Notice, the broadcasting platform delayed the broadcasting plan, and the program is not expected to be broadcast in the foreseeable future. As such, based on the fair value assessment of our management, we recognized fair value losses of our interest in the variety program of approximately RMB25.6 million in 2021, which amounted to approximately 1.5% of our total asset as of December 31, 2021.

In reaction to the requirements in the Notices regarding supervision on variety program content, we have implemented a series of internal control measures: (i) we carefully screen endorsement contracts and entertainment content service contracts to identify any content prohibited by the Notices, such as (a) illegal or immoral content in advertisements, films, drama series or variety programs; (b) variety programs in the idol development genre; and (c) competitive variety programs that use voting mechanisms to induce the audience to spend money on contestants; (ii) our contracts with customers typically provide that the customer shall not arrange any works for our managed artists which are in breach of any laws, regulations, public orders and/or customs nor any works that will infringe the artists’ reputation, privacy, or involve in controversial political stance; (iii) we also confirm with our customers on the details of the endorsement deals and the entertainment content to be produced to ensure that they are in compliance with the Notices before the projects start.

Protection of Minors

One of our managed artists and 25 of our trainees were minors as of the Latest Practicable Date aged between 13 and 17. In reaction to the requirements in the Notices regarding protection of minors, we have implemented comprehensive internal control measures: (i) we closely monitor and circulate updated laws, regulations and policies in relation to the protection of minors to our underage artists, their guardians and our employees from time to time; (ii) for minors who enter into trainee contract or artist management contract with us, we will communicate with their guardians before entering into the contracts and require the consent of their guardians, who will also sign as a party to the trainee contract or the artist management contract; (iii) we arrange training for underage trainees only during after-school time, so that the trainees can attend school undisturbed; (iv) in general, we will not arrange trainees to participate in concerts or other commercial activities, unless such participation is beneficial for the trainees' development; (v) when we arrange commercial activities for our underage managed artists or trainees, we will obtain the consent of their guardians and confirm with customers that the content of the activities are in compliance with relevant laws, regulations and policies regarding protection of minors; (vi) we place importance on helping trainees develop sound moral character and strictly avoid behavior that could lead the trainees to develop values that deviate from the societal core values and (vii) we pay close attention to the physical and mental health of our underage managed artists and trainees; when we notice an underage trainee or managed artist has any negative mood, we will communicate with the trainee or the artist and adjust his or her training or work arrangement accordingly.

Provision of Artist Management Services

We have obtained all licenses required under the Notices for our operation, such as Commercial Performance Licenses (營業性演出許可證), which remained valid as of the Latest Practicable Date. We monitor the validity status of our licenses and permits on a regular basis, and will make timely applications for the renewal of the relevant licenses and permits prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses and permits for our business operation during the Track Record Period and up to the Latest Practicable Date. For details, see "Licenses and Permits" in this section. In addition, the ratio of the number of our managers to the number of their managed persons was no lower than 1/100 during the Track Record Period and up to the Latest Practicable Date. We will recruit enough staff to meet our business needs and keep such ratio no lower than 1/100.

As advised by our PRC Legal Advisor, the Notices do not have any retrospective effect and we had complied with each of the Notices that are currently in effect in all material aspects since they became effective and up to the Latest Practicable Date. In addition, during the Track Record Period and up to the Latest Practicable Date, we, and to the best knowledge and belief of our Directors after making all reasonable inquiries, our managed artists and their related entities had not been the subject of any review, inquiry, or investigation by any PRC regulatory authority pursuant to any of the Notices that are currently in effect. Based on the above, our Directors, with the advice provided by our PRC Legal Advisor, are of the view that the Notices have not and will not have any material adverse impact on our business operation or financial position.

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Regulations relating to the restriction of wages (the “Maximum Wage Order”)

	<u>Notice/Guidance/ Measures</u>	<u>Promulgation Date</u>	<u>Regulating Authority</u>	<u>Regulated Party</u>	<u>Regulation</u>
1	Notice on the 14th Five-Year Development Plan of Chinese TV Series (《「十四五」中國電視劇發展規劃》)	February 8, 2022	NRTA	Content production companies and media platforms	It requires media platforms and content production companies to strictly enforce the requirement on the allocation of production cost such that the total remuneration of all actors and actresses for each program shall not exceed 40% of the total production cost, and the remuneration of the major actors and actresses shall not exceed 70% of the remuneration of all actors and actresses.

Impact on Our Artist Management Business

As advised by our PRC Legal Advisor, content production companies and media platforms, which are among the major customers of our artist management business, are directly regulated under the Maximum Wage Order. According to the Maximum Wage Order, the total remuneration of all actors and actresses who performed in a web movie, drama series or variety program shall not exceed 40% of the total cost of production, and the remuneration of all major actors and actresses shall not exceed 70% of the remuneration of all actors and actresses. As advised by our PRC Legal Advisor, the relevant authorities will take into account of the fees paid to artists, their related entities and their artist management companies, if any, for the purpose of compliance with the Maximum Wage Order.

As we arrange our managed artists to perform in web movies, drama series and variety programs, the service fees to be paid by the content production companies and media platforms to us for our managed artists' performance must comply with the Maximum Wage Order. During the Track Record Period and up to the Latest Practicable Date, other than performing as actors or actresses in web movies, drama series and variety programs, none of our managed artists took up other roles, such as the role of a director or producer, in the works they performed in.

We enter into contracts with content production companies and media platforms to arrange our managed artists to perform in various types of entertainment content, including web movies, drama series and variety programs subject to the Maximum Wage Order. We receive service fees from these customers and pay a portion of such service fees to our managed artists or their related entities, who are our suppliers, according to the agreed-upon percentages in the relevant artist management contracts. We pay the amounts that our managed artists are entitled to receive for their performance in the entertainment content either to relevant related entities or to the artist directly. During the Track Record Period, other than the settlement with our managed artists for their performance services to us, we did not enter into any material transactions, or were engaged in fund flow related to any material transactions, with the related entities of our managed artists.

During the Track Record Period and up to the Latest Practicable Date, we had not been the subject of any review, enquiry or investigation by any PRC regulatory authorities in relation to the

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Maximum Wage Order. However, for the web movies, drama series and variety programs in which we arrange our artists to perform, it is beyond our control and impracticable for us to have knowledge of (i) the total production cost incurred, (ii) the remuneration paid to all actors and actresses or their respective artist management companies during the whole production process, or (iii) the remuneration paid to other actors, as such information is typically confidential and commercially sensitive for our customers, actors and their respective artist management companies. Therefore, we cannot guarantee that all of our customers would be in compliance with the Maximum Wage Order at all times.

As advised by our PRC Legal Advisor, content production companies and broadcasting platforms of web movies, drama series and variety programs shall submit reports disclosing the payments to all actors and principal actors to the competent authorities for review before they can obtain the necessary license to distribute such content. Most of the works in which our managed artists performed during the Track Record Period had been distributed or had obtained the license for distribution. We have obtained confirmations from the respective content production companies and media platforms for some undistributed works which represent a majority of the undistributed works measured by the contract amount. For the remaining undistributed works, the remuneration our managed artists received is comparable to those in works of similar type and scale. All of our managed artists as of the Latest Practicable Date who performed in works subject to the Maximum Wage Order have confirmed that they and their related entities (if any) had complied with the Maximum Wage Order. Our PRC Legal Advisor is of the view that, based on the above and public searches conducted by it, we and our managed artists and their related entities had complied with the Maximum Wage Order in all material aspects during the Track Record Period.

Our PRC Legal Advisor further advised that, if a web movie, drama series or variety program in which any of our managed artists performed is found to violate requirements under the Maximum Wage Order, the content production companies and broadcasting platforms shall be held accountable for providing untrue information, and 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 such non-compliance of the content production companies and media platform.

In reaction to the requirements under the Maximum Wage Order, we have adopted internal control measures to monitor our compliance with the Maximum Wage Order. Under the policies, we will, based on the prevailing market standards and our due inquiries with the content production companies, internally assess whether the fees to be paid by these customers for our artists' performance are likely to breach the Maximum Wage Order and request these customers to confirm their compliance with the Maximum Wage Order before entering into the contracts. In addition, we also circulate updated laws, regulations and policies in relation to the Maximum Wage Order to our managed artists or their related entities from time to time, and remind them to stay in compliance with the Maximum Wage Order.

Impact on Our Pan-entertainment Business

During the Track Record Period, we were regulated by the Maximum Wage Order for our production of, and investments in variety programs, drama series and web movies. During the Track Record Period, we entered into contracts to invest in one drama series and two variety programs as minority investors. The drama series had obtained the license necessary for distribution in 2022. One of the variety programs had obtained the license necessary for distribution and were initially broadcast

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in 2020. The broadcasting plan of the other variety program was delayed and this program is not expected to be broadcast in the foreseeable future. To our knowledge, the online platform which produced this program did not apply for the license for the distribution of this program. For details, see “—Supervision on Content of Variety Programs.”

During the Track Record Period, we did not produce any web movie, drama series or variety program which are regulated by the Maximum Wage Order. We produced, through Horgos Yuehua, a movie which was shown in theaters. As advised by our PRC Legal Advisor, the movie is not subject to the Maximum Wage Order because the Maximum Wage Order does not apply to movies distributed through theaters. On March 4, 2022, we structurally dismantled the Contractual Arrangements with Horgos Yuehua as part of the Reorganization and, as a result, ceased to engage in production and do not intend to make investment in variety programs, movies and drama series to allocate more resources to develop our artist management business.

Based on the above, our Directors, with advice provided by our PRC Legal Advisor, are of the view that the Maximum Wage Order has not and will not have any material adverse impact on our business operation or financial position.

Regulations relating to the taxation of culture and entertainment industry (collectively, the “Tax Notices”)

	Notice/Guidance/ Measures	Promulgation Date	Regulating Authority	Regulated Party	Regulation
1	Notice of the State Administration of Taxation 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》)	October 2, 2018	State Administration of Taxation (國家稅務總局)	Film and television production companies, brokerage companies, performing arts companies, artists and their related entities and high-income practitioners in the film and television industry	Local taxation authorities have notified enterprises such as content production companies, artist management companies and other high-income practitioners in the film and television industry in their local districts to conduct self-examination and self-correction of their tax returns since 2016. All film and television enterprises and practitioners that seriously self-correct and take the initiative to pay back taxes by the end of December 2018 will be exempted from administrative penalties and fines.

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Notice/Guidance/ Measures	Promulgation Date	Regulating Authority	Regulated Party	Regulation
2 Notice on Strengthening the Taxation Management of Employees in the Entertainment Field (《關於加強文娛領域從業人員稅收管理的通知》)	September 18, 2021	State Administration of Taxation	Artists, network anchors and their studio, company, agent and relevant producers	The tax department shall (i) further strengthen the daily tax management of employees in the field of culture and entertainment, and guide the individual studios and enterprises set up by artists to establish accounts and systems in accordance with laws and regulations; (ii) focus on strengthening the tax management of artists and content production companies, urging them to fulfill obligations of tax withholding, paying personal income tax, providing relevant information, and cooperating with the tax authorities to implement relevant regulation; and (iii) strictly prohibit tax evasion and other tax-related violations.

As advised by our PRC Legal Adviser, those who violate the above Tax Notices and relevant taxation laws may be subject to a rectification, fine, penalties or even criminal liability depending on the seriousness of the situation according to the Tax Notices and applicable laws.

We had not received any rectification requirements or been punished under the Tax Notices and all other relevant regulations and laws during the Track Record Period and up to the Latest Practicable Date.

Specifically, during the Track Record Period and up to the Latest Practicable Date, neither we, nor, to the best knowledge and belief of our Directors after making all reasonable inquiries, any of our managed artists and their related entities, had entered into any “yin-yang contract” with any media platforms or content production companies with respect to movies, drama series or variety programs in which our managed artists performed. Nor had we entered into any “yin-yang contract” with respect to the movie we produced. Pursuant to our artist management contracts, artists who are managed by us on an exclusive basis shall not enter into any other contracts to provide performing services. We are responsible for collecting service fees from our customers who engaged our managed artists for performing services and sharing the revenue with our managed artists. To the best knowledge and belief of our Directors after making all reasonable inquiries, none of the artists who are managed by us on an exclusive basis or their related entities had entered into any contracts to provide performing services during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we mostly settled with artists’ related entities and occasionally settled directly with artists (for example, such artist does not have any related entities). We did not settle with both an artist and the artist’s related entities in relation to the same business project. When

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we settled directly with an artist, we withheld the artist's tax before settlement as required by relevant laws and regulations. During the Track Record Period, we withheld a total amount of tax of approximately RMB6.5 million, RMB3.5 million, RMB1.1 million and RMB22.0 thousands in 2019, 2020, 2021 and the four months ended April 30, 2022, respectively, for our managed artists, and had paid the amount withheld to the relevant Chinese tax authorities without disputes. When we settled with artists' related entities, the entities were responsible for the tax payment.

It is beyond our control and impracticable for us to know if our managed artists and their related entities are in compliance with the Tax Notices at all time. To the best knowledge and belief of our Directors after making all reasonable enquires, none of our managed artists or artists' related entities was in breach of the Tax Notices during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, artist management companies will not be subject to administrative penalties from the relevant authorities for non-compliance of their managed artists or their related entities, provided that the artist management companies are in compliance with the Tax Notices and other relevant tax regulations, such as (i) withholding taxes for the artists as required by laws and regulations; and (ii) refraining from aiding or abetting tax evasion of managed artists or their related entities.

In reaction to the requirements under the Tax Notices, we have adopted a combination of internal control measures to reduce non-compliance risks that may arise from our managed artists and their related entities and minimize the reputational harm. For example, we fulfill our responsibilities under relevant tax laws and regulations, such as withholding tax for our managed artists when we directly settle with them. We have adopted internal policies which require us to (i) circulate updated laws, regulations and policies in relation to taxation regulation to our managed artists or their related entities from time to time, (ii) provide them with advice when they have tax-related questions, and (iii) inquire about the tax compliance status of our artists and their related entities from time to time and remind them to fulfill their tax obligations. We have also adopted internal control policies regarding our tax management, which covers topics such as invoice management, tax filing and record keeping, and sets out the personnel responsible for the tasks. In addition, we have designated personnel to perform internal audits on our tax management from time to time. Notwithstanding that our Directors consider the operational and legal risks to be remote, if any of our managed artists or trainees fails to comply with the Tax Notices, we will require the artist to rectify such non-compliance. We may also terminate the contract with the artist and claim for damages pursuant to the artist management contract.

Past Tax Compliance Self-examination

We have placed great importance on compliance with applicable tax laws, regulations and policies, and has adopted an internal control policy regarding tax filing practices. We have assigned our accounting personnel to make timely tax filings and keep track of the developments in tax laws, regulations and policies. They are also tasked with filling in the tax payment calculation reports on a regular basis and submit the same for the review and approval of the head of the accounting team and the chief financial officer.

In October 2018, the SAT issued a public notice, requesting local tax authorities to require content production companies, artist management companies, celebrity artists and their related entities to conduct self-examinations on their tax filings since 2016, and report to the local tax authorities by the end of 2018. Pursuant to such requirements of tax authorities, Beijing Yuehua, Tianjin Yuehua, Tibet Yuehua and Horgos Yuehua (each an "Entity" and together the "Entities") each conducted a tax

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compliance self-examination in 2018 for their respective tax filings for the period starting from 2016 (the “2018 Tax Compliance Self-examination”). The detailed information of the 2018 Tax Compliance Self-examination is set forth below.

Yuehua Limited

After the completion of the 2018 Tax Compliance Self-examination, Yuehua Limited submitted a self-examination report in November 2018, to the local tax authority. As set out in the self-examination report, there was a shortfall of (i) corporate income tax due to the timing difference between the issuance of invoices and the recognition of cost with respect to a film we invested; (ii) the VAT and VAT surcharges due to a reversal of input tax credits; and (iii) personal income tax withheld related to fringe benefits.

We made additional tax payment of approximately RMB1.1 million with surcharge for overdue tax payment of approximately RMB0.3 million by December 2018.

Tianjin Yuehua

After the completion of the 2018 Tax Compliance Self-examination, Tianjin Yuehua submitted a self-examination report in December 2018, to the local tax authority. As set out in the self-examination report, there was a shortfall of corporate income tax, VAT and VAT surcharges, as such taxes were not fully paid on a timely basis with respect to our purchases of music copyrights from abroad with an amount of US\$50,000 or below.

We made additional tax payment of approximately RMB0.2 million with surcharge for overdue tax payment of approximately RMB40,000 by December 2018.

Tibet Yuehua

After the completion of the 2018 Tax Compliance Self-examination, Tibet Yuehua submitted a self-examination report in December 2018, to the local tax authority. As set out in the self-examination report, there was a shortfall of (i) corporate income tax, VAT and surcharges, as such taxes were not timely paid with respect to our purchases of music copyrights from abroad with an amount of US\$50,000 or below, and (ii) personal income tax withheld with respect to compensation we paid to seven temporary actors in a film we produced, and (iii) the VAT and VAT surcharges due to a reversal of input tax credits.

We made additional tax payment of approximately RMB0.5 million with surcharge for overdue tax payment of approximately RMB0.1 million by December 2018.

Horgos Yuehua

After the completion of the 2018 Tax Compliance Self-examination, Horgos Yuehua submitted a self-examination report in November 2018, to the local tax authority. As set out in the self-examination reports, there was a shortfall of (i) the VAT and VAT surcharges due to a reversal of input tax credits with respect to a movie we invested; (ii) the VAT and VAT surcharges due to the timing difference between the settlement with other investors and our cost recognition with respect to a movie we invested; and (iii) stamp duty with respect to a movie copyright contract entered into by Horgos Yuehua, which was not fully paid on a timely basis.

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We made additional tax payment of approximately RMB0.5 million and surcharge for overdue tax payment of approximately RMB0.1 million by December 2018.

We made the additional tax payments and surcharges for each of the Entities without being subject to any legal or administrative penalties from their respective local tax authorities. Also, in May 2022, we obtained written confirmation for each Entity from the respective competent tax authority, confirming that the Entity did not have any outstanding tax payments on the date the written confirmation was made. We believe the findings stated in the self-examination reports were primarily due to the timing difference between the cost recognition and VAT invoice issuance and due to an inadvertent oversight of the relevant accounting personnel. We had no intention of tax evasion and we took initiatives to eliminate the consequences and implications of the shortfall in tax payments.

Our PRC Legal Advisor is of the view that both the requirement to conduct the 2018 Tax Compliance Self-examination and the additional tax payments made by the Entities did not constitute any administrative penalties. In addition, we had not received any rectification requirements or been punished under PRC tax laws, regulations or policies during the Track Record Period and up to the Latest Practicable Date.

We have taken comprehensive internal control measures to strengthen our tax compliance management after the completion of the 2018 Tax Compliance Self-examination. We conduct examinations on and reviews of our tax filings from time to time to improve our tax filing practices. We have assigned dedicated personnel to coordinate our communications with the competent authorities and keep track of the developments of the applicable PRC tax laws, regulations and policies on an ongoing basis, and to understand the latest tax filing requirements. We have also engaged a professional tax agent to assist us to examine our tax filings on an annual basis.

Based on the above, our Directors are of the view that the 2018 Tax Compliance Self-check and the tax payments and surcharges are not material or systematic non-compliances.

Based on the above, our Directors, with the advice provided by our PRC Legal Advisor, are of the view that the Tax Notice has not and will not have any material adverse impact on our business operation or financial performance.

Regulations relating to Anti-trust Control (the “Decision”)

<u>Notice/Guidance/Measures</u>	<u>Promulgation Date</u>	<u>Regulating Authority</u>	<u>Regulated Party</u>	<u>Regulation</u>
Decision on certain major digital streaming platforms to relinquish exclusive deals held with its suppliers (《市場監管總局作出責令解除網絡音樂獨家版權等處罰》)	July 24, 2021	State Administration for Market Regulation (國家市場監督管理總局)	Certain major digital streaming platforms	Pursuant to the Decision, music streaming platforms shall not sign exclusive copyright agreements except in a limited number of circumstances.

Music streaming platforms, which are customers of our music IP production and operation business, are subject to the Decision. Pursuant to the Decision, music streaming platforms shall not sign exclusive music licensing contract except in a limited number of circumstances.

Following the issuance of the Decision, we entered into a non-exclusive music licensing contract with a leading music streaming platform in China in July 2021. We also renegotiated the terms

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and entered into a non-exclusive music licensing contract with another music streaming platform in December 2021, which had an exclusive music licensing contract with us previously. As of the Latest Practicable Date, we did not have any exclusive music licensing contracts with music streaming platforms that were effective.

According to Frost & Sullivan, the Decision encourages fair competition and aims at providing an open, fair and healthy industry environment. Through lowering the entry barriers for music service providers, the Decision encourages musical works to be distributed on a wider selection of platforms other than music streaming platforms. Consequently, producers of musical works are able to expand their customer base and generate more revenue by entering into multiple non-exclusive contracts with an increased number of customers, instead of exclusive contract with a limited number of customers.

Accordingly, the Decision has given us more opportunities to enter into music licensing contract with various customers and in turn expand our customer base and generate more revenue in terms of the accumulated revenue from multiple non-exclusive music licensing contracts.

As advised by our PRC Legal Advisor, we had complied with the Decision since it became effective and up to the Latest Practicable Date. In reaction to the Decision, we have implemented internal control measures which require our legal team to screen the content of contracts we will enter into, including music copyright licensing contracts and to identify any provision that is against applicable law or regulation.

Based on the above, our Directors, with the advice provided by our PRC Legal Advisor, are of the view that the Decision has not and will not have any material adverse impact on our business operation or financial performance.

Document relating to entertainment content service contracts

	<u>Document</u>	<u>Publish Date</u>	<u>Publishing Associations</u>	<u>Targeted Parties</u>	<u>Key Provisions</u>
1	Template Entertainment Content Service Contract (Trial) 《演員聘用合同示範文本（試行）》	May 7, 2022	China Federation of Radio and Television Association (中國廣播電視社會組織聯合會); China Netcasting Services Association (中國網絡視聽節目服務協會)	Media platforms, content production companies, artist management companies and managed artists	(i) artists must enter into entertainment content service contracts on their own behalf; (ii) the remuneration for artists shall be pre-tax and may not be paid in cash; (iii) the allocation between artists and their respective artist management companies shall be set out in the entertainment content service contracts; (iv) parties to entertainment content service contracts shall not disguise remuneration in other forms; (v) artists shall not commit any harmful act that is illegal, immoral or would otherwise hinder the preparation, production or distribution of the entertainment content.

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As advised by our PRC Legal Advisor, the Template Entertainment Content Service Contract (Trial) (《演員聘用合同示範文本(試行)》) (the “Template Contract”) is issued by industry associations, which are self-regulatory organizations rather than qualified legislative agencies under PRC law, and therefore is not mandatory. Nevertheless, we can use the Template Contract as a reference in future contract negotiation.

Regulations relating to cybersecurity

	Notice/ Guidance/ Measures	Promulgation Date	Regulating Authority	Regulated Party	Regulation
1	Measures for Cybersecurity Review (2021 Revision) (《網絡安全審查辦法》) (the “Revised Cybersecurity Review Measures”)	December 28, 2021	MIIT, CRSC and nine other governmental authorities	CIIOs and network platform operators	The following circumstances shall be subject to cybersecurity review, (i) the purchase of network products and services by a critical information infrastructure operator (關鍵信息基礎設施運營者) (the “CIIO”), as defined in Regulations on the Security Protection of Critical Information Infrastructure (《關鍵資訊基礎設施安全保護條例》), which affects or may affect national security; (ii) the plan of a network platform operator holding personal information of more than one million users of listing abroad; and (iii) any network products or services, or data processing activities that the competent authorities believe affect or may affect national security (collectively, the “Regulated Cases”).
2	Draft Internet Data Security Regulations (《網絡資料安全管理條例(徵求意見稿)》) (the “Draft Regulations”)	November 14, 2021	CAC	CIIOs and network platform operators	Data processors are required to apply for a cybersecurity review if they (i) carry out any merger, reorganization or separation of internet platform operators with a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) seek a listing abroad by data processors that handle personal information of more than one million persons; (iii) seek a listing in Hong Kong by data processors, which affects or may affect national security; or (iv) conduct other data processing activities that affect or may affect national security (collectively, the “Regulated Activities”).

Applicability of the Revised Cybersecurity Review Measures

Based on our PRC Legal Advisor’s opinion, we are of the view that the Revised Cybersecurity Review Measures is not applicable to us currently, based on the facts that our case does not fall under any of the Regulated Cases: (i) we had not been identified as a CIIO by any government authority as of the Latest Practicable Date; (ii) as of the date of this prospectus, we were not a “network platform operator processing more than one million users’ personal information” under the Revised Cybersecurity Review Measures; (iii) our PRC Legal Advisor consulted on June 9, 2022, on behalf of us, with China Cybersecurity Review Technology and Certification Center (“CCRC”), which is delegated by the CAC for public inquiries relating to the cybersecurity review under the Revised Cybersecurity Review Measures; during the consultation, CCRC informed our PRC Legal Advisor that

listing in Hong Kong will not be deemed as listing abroad under the Revised Cybersecurity Review Measures; and (iv) we have not been involved in any review or investigation by the CAC or other authorities with respect to the Revised Cybersecurity Review Measures and we have no obligation to comply with relevant articles under the Revised Cybersecurity Review Measures. Our PRC Legal Advisor is of the view that CCRC is the competent authority for such inquiry based on the delegation of the CAC.

Applicability of the Draft Regulations

Based on our PRC Legal Advisor's opinion, we are of the view that the Draft Regulations might be applicable to us and we would be able to comply with the Draft Regulations in all material aspects, assuming the Draft Regulations are implemented in their current form on the basis of the following :

The Draft Regulations stipulate that data processing activities carried out through networks as well as the supervision and regulation of network data security within the territory of the PRC should be subject to the Draft Regulations. Specifically, the Draft Regulations require data processors to apply for cybersecurity review when carrying out any Regulated Activities. As we may process business data and personal information of our artists via some network tools or platform, such as email and Wechat, based on the opinion of our PRC Legal Advisor, we are of the view that the Draft Regulations might be applicable to us if they are implemented in their current form.

As of the Latest Practicable Date, we had neither been involved in any investigations on cybersecurity review conducted by the CAC or any other relevant authorities, nor received any inquiry, notice, warning, or sanctions in this regard. Although we do not operate any network service or platform, or provide network product, we have adopted internal measures regarding data security and personal information protection to ensure that we can comply with relevant laws and regulations. We will closely monitor the legislative progress and seek guidance from relevant regulatory authorities in a timely manner to ensure that we take the appropriate measures. Based on the above, we could comply with the Draft Regulations in all material aspects if they are fully adopted and implemented in the current form.

Based on the opinion of our PRC Legal Advisor, we believe that (i) the possibility of our business operations or our proposed listing in Hong Kong being deemed as affecting national security based on the factors set out in the Revised Cybersecurity Review Measures is remote and (ii) and the Revised Cybersecurity Review Measures and the Draft Regulations (assuming the Draft Regulations are implemented in their current form) would not have a material adverse impact on our business operations or our proposed listing in Hong Kong on the following grounds:

According to Article 2 of the National Security Law of the People's Republic of China (《中華人民共和國國家安全法》), national security refers to the condition in which the state power, sovereignty, unity and territorial integrity, people's welfare, sustainable economic and social development, and other vital interests of the state does not face any danger or encounter any internal or external threats, and the state has the capability to safeguard its security. Article 10 of the Revised Cybersecurity Review Measures further provides that cybersecurity review shall focus on the following assessments of national security risks: (i) the risks of illegal control, interference or destruction of critical information infrastructure brought about by the use of products or services; (ii) the risks of supply interruption of products or services necessary for the business continuity of

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critical information infrastructure; (iii) risks relating to the safety, transparency and diversity of sources of products or services and reliability of supply channels; (iv) the risks relating to compliance with PRC laws, administrative regulations and rules by products and services providers; (v) the risks of theft, leakage, damage, illegal use or cross-border transfer of core data, important data or large amounts of personal information; (vi) the risks of influence on, control or malicious use of critical information infrastructure, core data, important data or large amounts of personal information by foreign governments after overseas listing, as well as the risks of network information security; and (vii) other factors that may endanger critical information infrastructure security, network security or data security.

As of the Latest Practicable Date, we had not been identified as a CIIO by any relevant authority, so as advised by our PRC Legal Advisor, items (i) to (iv) of Article 10 of the Revised Cybersecurity Review Measures are not applicable to us. In addition, as of the Latest Practicable Date, based on the public search of our PRC Legal Advisor and to our best knowledge, no data processed by us has been included in the effective catalogue of important data or core data published by the relevant authority pursuant to the Data Security Law of the PRC (《中華人民共和國數據安全法》). Therefore, as advised by our PRC Legal Advisor, item (v) of Article 10 regarding important data and core data is not applicable to us. Furthermore, pursuant to the consultation with CCRC mentioned above, listing in Hong Kong is not considered as listing abroad, so item (vi) of Article 10 is not applicable to us.

Based on the above, as advised by our PRC Legal Advisor, we are of the view that the likelihood of our business operations or our proposed listing in Hong Kong being deemed as affecting national security is remote.

In addition to the assessment above, we have adopted proper internal control measures to prevent improper disclosure of personal information. Furthermore, the Revised Cybersecurity Review Measures is not currently applicable to us and we would be able to comply with the Draft Regulations in all material aspects, assuming they are implemented in their current form. Based on all the facts stipulated herein and the opinion of our PRC Legal Advisor, we believe that the Revised Cybersecurity Review Measures and the Draft Regulations (assuming the Draft Internet Data Security Regulations are implemented in their current form) would not have a material adverse impact on our business operations or our proposed listing in Hong Kong.

Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view as set out in the section headed “—Recent Regulatory Development” above.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Operational Risk Management

Our business operation is exposed to various risks, such as administration of daily operation, financial reporting and recording, compliance with applicable laws and regulations, and changes in the regulatory environment in the PRC. For more details, see “Risk Factors” for disclosures on various risks we face.

As risk management is essential to our growth and success, we have implemented detailed policies and procedures that we believe are appropriate for our business operation. To monitor the ongoing implementation of our risk management policies, we have adopted and will adopt robust

measures in various aspects of our business operation, such as financial reporting, human resources, intellectual property and information system. We are committed to building and maintaining an effective risk management approach that strictly abides by legal and compliance requirements to facilitate our business growth.

Regulatory Compliance Risk Management

We are subject to evolving regulatory requirements across multiple jurisdictions, including requirements to obtain and renew certain licenses, permits, approvals and certificates for our business operation in various jurisdictions. In order to manage our ongoing compliance with the laws and regulations applicable to our business effectively, we have implemented several internal control measures.

Our legal team is responsible for regularly monitoring changes in laws, regulations and policies issued by the relevant government authorities in the jurisdictions we operate, to ensure we obtain requisite licenses to operate our business and we have the up-to-date understanding with the applicable requirements. They also review the status of our licenses and permits on a regular basis and renew those licenses and permits that are about to expire.

In response to recent regulatory development, we have further improved our internal control system by adopting the following measures:

- We have adopted the compliance management policies, under which a compliance team is responsible for identifying, assessing and controlling the compliance risks and also monitoring our daily operation and our employees' behaviors.
- Our internal teams also work together to help our managed artists and their related entities stay informed of the latest regulations. For details, see “—Recent Regulatory Development.”
- We have adopted internal control policies to manage the amounts of artists' remuneration and monitor the remuneration cost ratios. We require our artist operation team to evaluate and review the amounts of artists' remuneration and the corresponding remuneration cost ratios in the movies, drama series and variety shows we produce, invest in or our managed artists participate in, and to timely report anomalies to the management.
- We provide trainings to our senior management on the listing rules, disclosure management, corporate governance, changes in laws, regulations and policies. We also provide trainings to our employees on the evolving regulatory requirements and inform all employees of changes in laws and regulations, including the recent regulatory development in the entertainment industry in China.
- We also provide relevant materials and trainings to our managed artists on regulatory changes and monitor their behaviors when necessary. For details, see “—Risk Management and Internal Control Systems—Artists' Conduct Risk Management.”

We are committed to continually improving our internal policies according to changes in laws, regulations and industry standards to better manage any regulatory compliance risks.

Financial Reporting Risk Management

We have put in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, financial statements preparation

policies, treasury management policies, and finance seal management policies. We have designed and maintained consistent procedures for implementation of accounting policies and our finance department reviews our management accounts based on such procedures.

Intellectual Property Rights Risk Management

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

Human Resources Risk Management

We arrange training courses for our employees to improve their understanding of our internal policies. We have in place an employee handbook which has been distributed to all of our employees. These documents contain internal rules and guidelines regarding issues such as anti-corruption, work ethics, confidentiality, performance evaluation and workplace safety.

We also have in place an anti-corruption and anti-bribery policy to safeguard against any corruption activities. The policy explains potential corruption conducts and our anti-corruption measures. In particular, the policy explicitly prohibits employees from making or accepting illegal or improper payments. We make our internal reporting channel open and available for our employees to report, on an anonymous basis, any noncompliance incidents and acts, including bribery and corruption. Our audit committee is responsible for overseeing the implementation of the policy and we give trainings to new hires to help them familiarize with the policy. In addition, we have an anti-money laundering policy that sets out the measures to safeguard against money laundering activities. The Board is responsible for reviewing and adopting the company’s anti-money laundering measures, and designating the personnel to implement the measures. The Board will also designate an anti-money laundering task force that will identify money-laundering risks that may arise during our business operations and report them promptly to the management. The taskforce is also responsible for the investigation of any money-laundering activities identified. In addition, it will coordinate with other internal teams to monitor our transactions and report any suspicious cases to the relevant authorities.

Artists’ Conduct Risk Management

During our business operations, we have established and adopted comprehensive internal measures and policies in selection and supervision of the conduct of our managed artists, in reaction to the changes in the regulatory environment from time to time. Such measures include:

- We will conduct background search on artists before we enter into artist management contract with them.
- Our contracts with customers include that the customer shall not arrange any works for our managed artists which are in breach of any laws, regulations, public orders and/or customs nor any works that will infringe the artists’ reputation, privacy, or involve in controversial political stance.

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- Our artist promotion team is tasked with monitoring public opinion of our managed artists and giving proper advice on the information and public image the artists conveyed to the public, including the contents published by artists in their Weibo accounts and other social media accounts.
- We carefully select business projects for our managed artists, and review the contracts we enter into with our customers to ensure that they do not contain anything that is prohibited under the Notices, such as content designed to incite fans to spend money irrationally.
- We also have a morals clause in our artist management contracts and trainee contracts, which prohibits them to commit any illegal or immoral acts, and would allow us to terminate the contract if a managed artist or trainee commits misconduct that might negatively affect our reputation.
- We have set up the official social media accounts for followers of our managed artists on Weibo, which enable us to communicate the regulatory changes to followers and help them act responsibly on the internet.
- We pay close attention and regularly check with the announcements or other publications circulated by relevant administrative authorities and the “Warning List (警示名單)” circulated by CAPA.
- We circulate the updated laws, regulations and policies in relation to the entertainment industry, including the personal speech and behavior, maximum wage order and taxation management, to each of managed artists or their related entities from time to time. For example, in relation to taxation management, we provide them with advice when they have tax-related questions, and inquire about the tax compliance status of our artists and their related entities from time to time and remind them to fulfill their tax obligations.

Corporate Governance Measures

Our Board of Directors is responsible for and has the general power to supervise the operation of our business, and is in charge of managing the overall risks of our company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. Our Board of Directors will monitor the ongoing implementation of our risk management policies and corporate governance measures. The Audit Committee comprises three independent non-executive Directors, namely Mr. LIU Ya, Mr. LU Tao and Mr. HUANG Jiuling. Mr. Liu Ya, the chairperson of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. For the professional qualifications and experience of the members of our audit committee, see “Directors and Senior Management.”

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The following summarizes the key laws and regulations in our major markets which we believe are material to our operations. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential investors. Potential investors should also note that the following summary is based on the laws and regulations in force as of the Latest Practicable Date and may be subject to change (possibly with retrospective effects).

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN THE PRC

Regulations Relating to Performance Brokerage Agency

In accordance with the Regulations for the Administration of Commercial Performances (Revised in 2020) (《營業性演出管理條例(2020年修訂)》), which was promulgated by State Council on July 7, 2005, and amended on July 22, 2008, July 18, 2013, February 6, 2016 and November 29, 2020 respectively, foreign investors may legally establish performance brokerage agencies within the territory of the PRC. To engage in commercial performance business activities, a performance brokerage agency shall have three or more full-time performance brokers and funds for the relevant business, and shall file an application with the culture administrative department of the people's government of a province, autonomous region or centrally-administered municipality. The culture administrative department shall make a decision within 20 days from the receipt of the application; where an approval is given, a commercial performance permit (《營業性演出許可證》) shall be issued. No entity or individual may counterfeit, alter, rent, lend, buy or sell any commercial performance permit, approval document or business license. Furthermore, if a performance brokerage agency engaged in any commercial performance business activity without such permit, the culture administrative department of the people's government at county level shall ban the agency, confiscate its performance equipment and illegal proceeds, and impose a fine in the range of eight to ten times of its illegal proceeds. Where there are no illegal proceeds or the illegal proceeds are less than RMB10,000, a fine from RMB50,000 to RMB100,000 shall be imposed.

On August 28, 2009, the Ministry of Culture promulgated the Implementation Rules to the Administrative Regulations on the Commercial Performance (《營業性演出管理條例實施細則》), which was amended on December 15, 2017 and May 13, 2022, respectively, and further provides that the commercial performance provided in the Administrative Regulations on the Commercial Performance refers to the on-site cultural and artistic performances to the public for the purpose of making profits with methods including selling tickets or getting sponsors, paying or remunerating performing entities or individuals, using the performances as a medium for promotions or for promoting sale of products and in other profitable forms.

On December 13, 2021, Ministry of Culture and Tourism issued Measures for the Administration of Performance Brokers (《演出經紀人員管理辦法》), which came into effect on March 1, 2022 and provides that performance brokers activities include performance organization, production, marketing, performance intermediary, agency, commission trade, actors' signing, promotion, agency and other activities. Persons engaged in performance brokerage activities within the territory of the PRC shall pass the performance brokerage qualification examination, and obtain the performance brokerage qualification certificate.

On September 29, 2021, Ministry of Culture and Tourism issued the Notice on Regulating Performance Brokerage Conduct, Strengthening Administration of Performers and Promoting the

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Healthy and Orderly Development of Performance Market (《關於規範演出經紀行為加強演員管理促進演出市場健康有序發展的通知》), pursuant to which (i) brokerage companies and studios engaged in performance brokerage activities shall apply to the administrative department of culture and tourism for a commercial performance permit; (ii) those who engage in performance brokerage activities shall obtain the performance brokerage qualification certificate; (iii) brokerage companies and studios shall safeguard the lawful rights and interests of performers, bear the responsibility of administration of performers, take political caliber and moral conduct as the important standards for the selection and training of performers, regularly organize education and training, and enhance the awareness of legal compliance and moral cultivation of performers, establish working systems of self-discipline and self-inspection for performers, find out any problems of and risks to the performers' professional conduct, and urge performers to correct them in time; (iv) brokerage companies and studios engaged in performance brokers activities including signing, promotion and agency for minors shall guarantee their right to receive and complete compulsory education pursuant to the relevant laws and regulations; (v) illegal and immoral actors causing bad social influence shall not be used in the performance activities, and organizing actors or providing them with conditions to lip-sync is prohibited; and (vi) brokerage companies and studios shall strengthen the positive guidance of fans' support behavior, supervise the contents of the online accounts of authorized fan groups, and urge the performers to take the initiative to express opinions and provide positive guidance for fans groups' disturbance on the public order of the internet and the social order.

On May 20, 2022, the NRTA issued the Administrative Measures for Performance Brokerage Agencies in the Field of Radio, Television and Online Audiovisual Platforms (《廣播電視和網絡視聽領域經紀機構管理辦法》), which came into effect on June 30, 2022 and requires that, (i) brokerage agencies and brokers shall verify the identity of the service recipient when providing brokerage services in the field of radio, television and online audiovisual; (ii) when providing brokerage services for minors, brokerage agencies and brokers in the field of radio, television and online audiovisual shall obtain the consent of their legal guardian in advance, abide by the provisions of state laws, protect the legitimate rights and interests of minors, and shall not organize minors to engage in activities that endanger their physical or mental health; (iii) brokerage agencies and brokers in the field of radio, television and online audiovisual shall not provide brokerage services for service recipients to participate in programs that violate laws, endanger social morality, disrupt social order, or damage the legitimate rights and interests of others; (iv) brokerage agencies and brokers in the field of radio, television and online audiovisual shall reasonably allocate brokerage personnel to meet the business needs, the proportion of the number of brokerage personnel to the number of service recipients shall not be less than 1:100 in principle; (v) brokerage agencies and brokers in the field of radio, television and online audiovisual shall strengthen the daily maintenance, supervision and management of the accounts of the official fan groups of the service recipients, guide and regulate the behavior of fans, and shall not organize activities and gatherings that infringe upon the legitimate rights and interests of others, damage the physical and mental health of minors, or disrupt the normal social order; (vi) brokerage agencies and brokers in the field of radio, television and online audiovisual shall examine the advertisements endorsed by the service recipients, and shall not provide brokerage services for advertising cooperation with illegal contents; and (vii) brokerage agencies and brokers in the field of radio, television and online audiovisual shall pay taxes according to law, urge, remind and assist service recipients to pay taxes, and consciously resist non-standard signing methods for the purpose of tax evasion or that may lead to tax evasion.

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Regulations Relating to Content Censorship

In accordance with the Administrative Regulations on Audio-visual Products (Revised in 2020) (《音像製品管理條例(2020年修訂)》), which was promulgated by the State Council on December 25, 2001, and amended on March 19, 2011, December 7, 2013, February 6, 2016 and November 29, 2020, publication, production, reproduction, importation, wholesale, retail and rental of audio-visual products shall comply with the Constitution and the relevant laws and regulations, adhere to the principle of serving the people and socialism, and disseminate ideology, moral, science, technology and cultural knowledge which are beneficial for economic development and social progress. Audio-visual products shall not contain contents which: (i) violate of the basic principles determined by the Constitution; (ii) endanger national unity, sovereignty and territorial integrity; (iii) divulge State secrets, endanger national security or harm State reputation and interests; (iv) incite ethnic hatred or ethnic discrimination, undermine national unity, or impair ethnic customs and habits; (v) preach evil cults or superstition; (vi) disturb social order or undermine social stability; (vii) propagate obscenity, gambling, violence or instigate crimes; (viii) insult or slander others, infringe upon the legitimate rights and interests of others; (ix) harm public morality or excellent ethnic cultural traditions and (x) contain any other content prohibited by laws, administrative regulations or the provisions of the State.

Pursuant to Circular on Further Strengthening the Administration of Online Audio-visual Programs Including Web Series and Micro Films (《關於進一步加強網絡劇、微電影等網絡視聽節目管理的通知》) promulgated by the SARFT and CAC jointly on July 6, 2012, internet audio-visual program service institutions shall report the information on examined and approved web series, micro films and other online audio-visual programs to the provincial radio, film and television administration for record-filing. Pursuant to Supplemental Notice of Circular on Further Strengthening the Administration of Online Audio-visual Programs Including Web Series and Micro Films (《關於進一步完善網絡劇、微電影等網絡視聽節目管理的補充通知》) promulgated by the SAPPRFT on January 2, 2014, enterprise engaged in production of web series and micro films shall obtain the Production and Operation Permit. internet audio-visual program service institutions shall not broadcast web series and micro films produced by enterprise without the Production and Operation Permit.

According to the General Censorship Rules for the Content of Online Audio-visual Programs (《網絡視聽節目內容審核通則》) promulgated by the China Netcasting Services Association (中國網絡視聽節目服務協會) on June 30, 2017, relevant units engaged in online audio-visual programs service are required to review the audio-visual programs to be broadcasted and the graphic and video content produced for the purpose of publicity and introduction of works, etc. before the broadcast of such programs. The specific review elements include: (1) political orientation, value orientation and aesthetic orientation; (2) the plot, pictures, lines, songs, sound effects, characters, subtitles, etc. Relevant units of online audio-visual programs service shall adhere to the principle of review before broadcasting and the principle of review being in place in terms of content review of online audio-visual programs.

Regulations Relating to Maximum Wage Order

On September 22, 2017, the China Alliance of Radio, Film and Television, the CNSA and the China Television Drama Production Industry Association jointly issued the Opinions on the Allocation of Production Costs of TV Series and Web Series (《關於電視劇網絡劇製作成本配置比例的意見》) (the “**Opinion**”). Pursuant to the Opinion, the TV series production institutions shall limit the payment for the artists to a reasonable allocation of overall production costs. The total payment for all artists shall not exceed 40% of the total production costs of a TV series, and the payment for major artists shall not

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exceed 70% of the total payment of all artists. If the total payment for all artists exceeds 40% of the total production costs, the production institution shall file an explanation with the relevant associations.

On October 31, 2018, the NRTA issued the Notice for Further Strengthening the Administration on Radio or Television Programs and Online Audio-visual Entertainment Programs (《關於進一步加強廣播電視和網絡視聽文藝節目管理的通知》). For the purpose of ensuring the sound and orderly development of radio, television and network audiovisual entertainment programs, the NRTA requires that, among other things, the total payment for all artists of a television series or web series (including online movies) shall not exceed 40% of the total production costs, and the payment for major artists shall not exceed 70% of the total payment of all artists. If the aforesaid allocation is violated with no justification or concealment is conducted, the NRTA shall, according to the circumstances, adopt punitive measures according to the regulation such as suspension and cancelation of broadcast of the series or production qualifications of production entities. TV series and web series of which the artists' payment exceeds the required cap shall not participate in the election or awards, nor be entitled to government funding or subsidies. Furthermore, broadcasting institutions are strictly prohibited from requesting a television rating covenant from production institutions, and the signing of a valuation adjustment mechanism agreement as to television ratings shall be strictly prohibited. Institutions or individuals shall be strictly prohibited from disrupting or falsifying television rating (click-through rate) data.

On February 6, 2020, the NRTA issued the Notice on Emphasizing the Management on Creation and Production of TV Series and Web Series (《關於進一步加強電視劇網劇創作生產管理有關工作的通知》), which requires that, during the record-filing period institutions that produce and distribute radio and television programs are required to undertake to the administration department of competent radio and television basic completion of scripts creation; written consent from the competent authorities of the government in respect of contents on politics, military, diplomat, national safety, united front, nationality, religions, judiciary, public safety and anti-corruption shall be obtained prior to applications for filming. For TV series and web series, duration is proposed to be within 40 episodes and 30 episodes for short series. Comprehensive measures and collaborative governance shall be adopted for content governance with further industry standard compliance by relevant industrial associations. Production organizations shall submit for record a report on the final allocation proportion of production cost and copies of artists' remuneration contracts to the administration department of competent radio and television during the review stage of TV series and web series. Total payment for all artists shall account for not more than 40% of the total cost of TV series or web series while payment for major artists shall account for no more than 70% of the total payment for all artists.

On February 8, 2022, the NRTA issued the Notice of the National Radio and Television Administration on Printing and distributing *the 14th Five-year plan for the Development of Chinese TV Series* (《關於印發<“十四五”中國電視劇發展規劃>的通知》), which requires that, the remuneration management of actors shall be strengthened and the prohibitively high remuneration shall be firmly opposed. The total remuneration for all actors in a TV series shall not exceed 40% of the total production cost. Major actors' remuneration should not exceed 70% of the total remuneration for all actors. And the filing and verification of remuneration contracts shall be strengthened. The TV series industry shall promote the use of standardized contracts formulated by industry organizations.

As confirmed by our Company, the management of some artists by our Company includes arranging them to participate in radio, television and network audiovisual entertainment programs.

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When such artists are arranged to participate in these programs, the aforementioned rules shall be observed.

Special Regulations Relating to Cultural Programs and Entertainment Artists

On August 25, 2021, the CAC issued the Notice on Further Strengthening the Supervision of the Chaotic Celebrity Fan Culture (《關於進一步加強“飯圈”亂象治理的通知》), which requires that, (i) the guidance responsibility of the brokerage companies and studios to fans group shall be strengthened, measures such as flow restriction, prohibition and closure of the accounts shall be taken if performers, their agencies and fan clubs cause fans to attack each other; (ii) detailed rules shall be formulated, the personal purchase volume, contribution value and other data for the music albums or other products of artists shall not be displayed in the sales section, it is not allowed to rank the number or amount of products purchased by fans, and it is not allowed to set marketing activities to stimulate fans' consumption; (iii) management with regards to the online behavior of online entertainment shows shall be strengthened, and it shall be strictly prohibited to guide and encourage Internet users to vote for contestants of entertainment shows by shopping, membership and other materialized means; (iv) further measures shall be taken to prohibit minors from giving rewards, supporting consumption, or serving as relevant fan group leaders or managers, to restrict minors from voting to impact the ranking list, and to make it clear that online activities such as fan clubs and other form of supporting associations shall not effect minors' normal learning and rest, and to forbid the organization of the minors to carry out various online gatherings; and (v) all kinds of illegal fund-raising information should be found and cleared in time, websites and platforms that have concentrated problems, failing to fulfill their responsibilities or induce minors to participate in supporting fund-raising shall be punished according to relevant laws and regulations.

On August 30, 2021, Ministry of Culture and Tourism issued the Notice on Further Strengthening the Educational Management and Moral Construction of Artists (《關於進一步加強文藝工作者教育管理和道德建設的通知》), pursuant to which (i) studying the documents of relevant ministries and commissions on the treatment of unreasonably high remuneration, “yin-yang contracts”, tax evasion and other issues, as well as the industrial norms such as the Administrative Measures for Self-discipline of Performers in the Performance Industry (Trial) (《演出行業演藝人員從業自律管理辦法(試行)》) shall be organized, and literary and art workers shall be educated and guided not to touch the “red line” nor the “bottom line” and improve their professional ethics; (ii) the management of major theme creation shall be strengthened, and the participants in major activities in the field of culture and tourism shall be audited well so as not to provide stages or platforms for those who violate laws, regulations, morality or norm; and (iii) the restraint mechanism such as risk monitoring of illegal, immoral and anomie behaviors should be strengthened, early detection, report and management shall be achieved, the emergency control measures shall be taken decisively for those personnel or problems and may cause adverse effects.

On September 2, 2021, the NRTA issued the Notice on Emphasizing the Management and Regulation of Entertainment Programs and Related Personnel (《關於進一步加強文藝節目及其人員管理的通知》), which requires that, (i) radio and television organizations and online audiovisual platforms shall resolutely reject persons who violate laws and morality, adamantly reject persons with incorrect political positions and whose thoughts and values have diverged from the Party and the country; adamantly reject persons who violate laws and regulations, and shake the baseline of social fairness and justice; and adamantly avoid persons who go against good public customs and whose speech and conduct is amoral and irregular; (ii) radio and television organizations and online audiovisual platforms

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shall not broadcast idol cultivation programs, talent shows shall strictly control the setting of voting and shall be prohibited to guide or encourage fans to spend money to vote in disguise by shopping, membership and other materialized means; (iii) to strictly manage the selection of actors and guests, performance style, clothing and makeup, and to resolutely resist pan entertainment tendencies such as showcasing wealth and hedonism, scandal privacy reports, negative hot spots, vulgar online influencers and appreciation of ugliness; (iv) institutions that produce and distribute radio and television programs shall resolutely resist high remuneration, strictly enforce provisions on remuneration for performers and guests, and strictly implement the system of information pledges for remuneration management, advocate and encourage performers and guests to take on social responsibility and participate in public interest programming and strictly penalize illegal remuneration, “yin-yang contracts”, and tax evasion; and (v) the cultivation of artists’ political quality shall be strengthened, the code of professional ethics shall be improved, the construction of professional ethics shall be strengthened, the artists shall consciously resist the temptation of fame and wealth, shall not use professional identity and personal popularity to seek improper interests, consciously accept social supervision.

On October 26, 2021, the CAC issued the Notice on Further Strengthening the Work Related to the Regulation of Online Information for Entertainment Artists (《關於進一步加強娛樂明星網上信息規範相關工作的通知》), pursuant to which (i) the content orientation shall be strictly managed, the release and dissemination of online information of entertainment artists shall abide by laws and regulations, and shall follow the public order and good customs, adhere to the correct direction of public opinion and value orientation; (ii) the information of performing arts works, including films and television artists, music, various works and related publicity, clips, interpretation, comments, etc., shall be reasonably disseminated to the public, and shall not be presented in clusters in accordance to key sections specified in Article 11 of the Provisions on the Ecological Governance of Network Information Contents (《網絡信息內容生態治理規定》) issued by the CAC on December 15, 2019; and (iii) the account authentication and audit of brokerage agencies shall be strengthened, the same agency shall only register one account on the same platform in principle, the account of fan club shall be authorized or certified by the brokerage agencies, which shall be responsible for daily maintenance, supervision and management, unauthorized individuals or organizations shall not be allowed to register fan club account.

On May 7, 2022, China Federation of Radio and Television Association and China Netcasting Services Association jointly issued the Template Entertainment Content Service Contract (Trial) (《演員聘用合同示範文本(試行)》), pursuant to which (i) the entertainment content service contracts must be signed in written form on the artists’ own behalf; (ii) labor income such as the remuneration shall be pre-tax, and shall not be concealed in cash or other forms of payment in disguise; (iii) the remuneration allocation and corresponding contractual obligations between artists and their respective artist management companies shall be set out in the contract; and (iv) artists shall not commit any harmful act that is illegal, immoral or would otherwise hinder the preparation, production or distribution of the entertainment content, otherwise the producer of the entertainment content shall have the right to claim the liability for breach of contract.

On October 2, 2018, the State Administration of Taxation issued the Notice on Further Regulating the Taxation Order of 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》), in response to issues such as tax evasion by high-income practitioners in the film and television industry, the tax authorities has further standardized the order of tax collection and management in the film and television industry. Starting in October 2018 and ending before the end of July 2019, the work of regulating the taxation order of the film and television industry will be

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gradually advanced in accordance with the steps of self-examination and self-correction, supervision and correction, key inspection, and summary and improvement. Starting from October 10, 2018, local tax authorities have notified film and television production companies, brokerage companies, performing arts companies, celebrity studios and other enterprises and high-income practitioners in the film and television industry in their regions to conduct self-inspection on their tax returns since 2016. All film and television enterprises and practitioners who earnestly self-examine and correct themselves and take the initiative to pay taxes before the end of December 2018 will be exempt from administrative penalties and fines.

On September 18, 2021, the State Taxation Administration issued the Notice on Strengthening the Taxation Management of Employees in the Entertainment Field (《關於加強文娛領域從業人員稅收管理的通知》), pursuant to which the tax department shall further strengthen the daily tax management of personnel in the field of culture and entertainment, and guide the individual studios and enterprises established by artists and network anchors to establish accounts and systems in accordance with laws and regulations, and apply for tax payment by means of audit and collection. The tax department shall regularly carry out tax inspection on artists and network anchors. Furthermore, the tax department shall focus on strengthening the tax management of artists, network anchors agencies, agents and relevant producers, urging them to fulfill obligations of tax withholding, paying personal income tax, providing relevant information, and cooperating with the tax authorities to implement tax management on artists and network anchors according to the law.

Regulations Relating to Foreign Investment

General Administration of Foreign Investment

On March 15, 2019, the NPC approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which became effective on January 1, 2020, replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), and becomes the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》).

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a management system of pre-establishment national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively the “Foreign Investors”) shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, Foreign Investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally. The Foreign Investment Law also sets forth necessary mechanisms

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to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which Foreign Investors or foreign-invested enterprises shall submit the investment information to competent departments of commerce through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. The organization form and structure and operating rules of foreign invested enterprises are subject to the provisions of the PRC Company Law, the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws, if applicable.

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Since January 1, 2020, for carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System pursuant to these measures.

The Negative List

The Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)》(2021年版)), which was promulgated by the NDRC and the MOFCOM jointly on December 27, 2021 and became effective on January 1, 2022 (the “**Negative List**”), foreign investors shall not invest in any of the prohibited fields specified in the Negative List. The establishment of foreign-invested partnerships is prohibited if they intend to invest in the fields subject to limitation of foreign investment proportion. Domestic enterprises engaged in businesses in fields prohibited from investment by the Negative List shall be reviewed and approved by the relevant competent authorities of the state for issuing shares abroad and listing for trading. Foreign investors shall not participate in the operation and management of such domestic enterprises, and their equity ratio shall be governed with reference to the relevant regulations on the management of domestic securities investment by overseas investors.

Our PRC Legal Advisor is of the view that, based on its understanding of the Foreign Investment Law and the Negative List, the Group’s principal businesses are not subject to any foreign investment restrictions or prohibition under the Foreign Investment Law and the Negative List as of the Latest Practicable Date.

Merger and Acquisition of Domestic Enterprises by Foreign Investors

The Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), promulgated by six PRC ministries including MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006, effective from September 8, 2006, amended and became effective on June 22, 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic enterprise or subscribe the increased capital of a domestic enterprise, and thus changing of the nature of the domestic enterprise into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase the assets of a domestic enterprise and operate the asset; or when the foreign investors purchase the assets of a domestic non-foreign invested enterprise by

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agreement, establish a foreign- invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or PRC citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC citizens, such acquisition must be submitted to the MOFCOM for approval.

Regulations in Relation to Overseas Listing

Pursuant to 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)》) drafted by the CSRC and the relevant departments under the State Council and published on December 24, 2021, overseas offering and listing of domestic enterprises includes direct or indirect issue of securities overseas or listed for trading in overseas markets by domestic enterprises. Indirect offering and listing of domestic enterprises refers to the indirect issue of securities overseas by domestic enterprises or the listing of their securities for trading overseas, namely enterprises operating their main business domestically issue securities overseas or listing their securities for trading overseas based on equity, assets, gains or other similar interests of domestic enterprises in the name of overseas enterprises. The securities administration department of the State Council undertakes supervision and administration over the overseas offering and listing activities of domestic enterprises according to the law. The relevant competent authorities of the State Council undertake supervision and administration over domestic enterprises offering and listing overseas and securities service institutions providing relevant services in their respective scope of duties according to the law. For overseas offering and listing, domestic enterprises shall implement procedures for filing with the securities administration department of the State Council and report relevant information.

Pursuant to the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), drafted by the CSRC and published on December 24, 2021, the filing of direct or indirect overseas offering and listing by domestic enterprises shall be conducted according to this Administrative Measures. In the event of indirect overseas offering and listing by domestic enterprises, the issuer shall designate a principal domestic operating entity to implement the filing procedures and report relevant information. Within 3 working days after the overseas submission of the application document for initial public offering and listing, the issuer shall provide the CSRC with filing materials, including but not limited to (1) filing report and relevant commitments; (2) regulatory opinion, filing or approval and other documents issued by the competent authorities of the industry (if applicable); (3) opinion of security assessment and review issued by relevant departments (if applicable); (4) domestic legal opinion; (5) prospectus. For the offering of foreign listed securities after overseas listing, within 3 working days after the completion of offering, the issuer shall provide the CSRC with filing materials, including but not limited to (1) filing report and relevant commitments; and (2) domestic legal opinion. If the filing materials are complete and requirements are fulfilled, the CSRC will issue the notice for filing within 20 working days and publish the information for filing on website. After the filing by the issuer and before the completion of overseas offering and listing, in the event of any of the following significant events, the issuer shall promptly report to the CSRC and update filing materials within 3 working days from the occurrence of relevant events: (1) material changes in principal business or licenses and qualifications of business; (2) material changes in equity structure or changes in control; (3) material adjustment of the offering and listing plan. In case of any of the following significant events after the overseas listing, the issuer shall report the details to the CSRC within 3 working days

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from the occurrence of relevant events: (1) changes in control; (2) investigations, penalties and other measures taken by overseas securities administrative authorities or relevant competent authorities; (3) voluntary termination of the listing or mandatory termination of the listing.

Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments).

Regulations Relating to Foreign Exchange

General Administration of Foreign Exchange

According to the Regulations on Foreign Exchange Administration of the PRC (Revised in 2008) (《中華人民共和國外匯管理條例》(2008年修訂)) which was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and was last revised on August 5, 2008, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interests and dividends. Current account foreign exchange income may, in accordance with relevant laws and regulations of the PRC, be retained or sold to any financial institution engaged in foreign exchange settlement and sales business. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local branches. Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local branches.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Circular No. 59**”) which was promulgated by the SAFE on November 19, 2012, and became effective on December 17, 2012 and was last revised on December 30, 2019, the approval is not required for the opening of an account entry in foreign exchange accounts under direct investment or for domestic transfer of the foreign exchange under direct investment. SAFE Circular No. 59 also simplifies the capital verification and confirmation formalities for foreign invested enterprises, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equity interests and foreign exchange registration formalities required for the foreign investors to acquire the equity interests of Chinese party, and further improves the administration on exchange settlement of foreign exchange capital of foreign invested enterprises. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of 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**”) in February 13, 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

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The Notice of the SAFE on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular No. 19**”), which was promulgated by the SAFE on March 30, 2015, came into effect as of June 1, 2015 and was last revised on December 30, 2019, adopts the approach of discretionary foreign exchange settlement. The discretionary settlement of the foreign exchange capital of foreign-invested enterprises refers to that the settlement of foreign exchange capital in the capital accounts of foreign-funded enterprises that have been subject to the confirmation of cash capital contribution at foreign exchange authorities (or the entry registration of cash contribution at banks) may be handled at banks based on the enterprises’ actual requirements for business operation. The proportion of discretionary settlement of foreign exchange capital of foreign-funded enterprises is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate times.

The Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular 16**”) was promulgated and became effective on June 9, 2016 by the SAFE. According to the SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts, funds recovered from overseas listing, etc.) on self-discretionary basis, which applies to all enterprises registered in China. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within China unless otherwise specifically provided. In addition, the converted Renminbi may not be used to make loans for non-affiliated enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the

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prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

Offshore Investment

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted 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》)(the “SAFE Circular 37”) which was promulgated by the SAFE on July 4, 2014 and came into effect on the same date, a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle (the “SPV”), apply to the foreign exchange office for foreign exchange registration of overseas investments. In addition, in the event of any change of basic information of the overseas SPV such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the modification of foreign exchange registration procedures for offshore investment. After the completion of the overseas financing, the SPV shall comply with the related provisions on Chinese foreign investment and foreign debt administration if the capital financed is repatriated for use within the territory of China. Failure to comply with the registration procedures as set out in SAFE Circular 37 may result in penalties. Pursuant to the SAFE Circular 13, the abovementioned registration under the SAFE Circular 37 will be handled directly by banks that have obtained the financial institution identification codes issued by the foreign exchange regulatory authorities that have opened the capital account information system at the foreign exchange regulatory authority in the place where they are located, and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

Regulations Relating to Taxation

Enterprise Income Tax

According to the EIT Law, which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, and was last revised by SCNPC on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was enacted on December 6, 2007 by the State Council, became effective on January 1, 2008 and was amended on April 23, 2019 (collectively, the “EIT Rules”), and its relevant implementation regulations, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Rules and relevant implementing regulations, a uniform Enterprise income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

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Dividend Withholding Tax

Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) effective from August 21, 2006, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

Furthermore, pursuant to the Circular of the SAT on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated on and effective from February 20, 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the acquisition of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to the Announcement of the SAT on Promulgation of the Administrative Measures on Non-residents Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發布〈非居民納稅人享受協定待遇管理辦法〉的通告》), which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of “self-assessment, claiming benefits, retention of the relevant materials for future inspection”. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and accept follow-up administration by the tax authorities.

Value Added Tax

The Provisional Regulations of PRC Concerning Value-added Tax (《中華人民共和國增值稅暫行條例》) (the “**VAT Regulations**”) was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017. The Implementing Rules for the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) (the “**Implementing Rules on VAT**”) was promulgated by the MOF on December 25, 1993, first amended on December 15, 2008 and came into effect on January 1, 2009, subsequently amended on October 28, 2011 and effective on November 1, 2011. Under the VAT Regulations and Implementing Rules on VAT, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, or selling services, intangible assets or real property in China, or importing goods to China, shall be identified as taxpayers of value-added tax, and shall pay value-added tax. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%, in certain limited circumstances, 11%.

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According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) which was promulgated by the MOF and the SAT on April 4, 2018 and came into effect on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) jointly which was promulgated by the MOF, the SAT and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

Regulations Relating to Outbound Investment by Enterprises

The MOFCOM promulgated the Administrative Measures on Outbound Investments (2009 Edition) (《境外投資管理辦法》(2009年版)) on March 16, 2009 with effect from May 1, 2009 to strengthen and regulate outbound investments, which was replaced by the Administrative Measures on Outbound Investments (2014 Edition) (the “**2014 Outbound Investments Measures**”) promulgated by MOFCOM on September 6, 2014 with effect from October 6, 2014. According to the 2014 Outbound Investments Measures, overseas investments of enterprises involving sensitive countries and regions and sensitive industries shall be subject to examination and approval by the competent department of commerce and other overseas investments of enterprises shall be subject to filing. The competent department of commerce shall carry out the administration of overseas investments of enterprises through the overseas investment administration system (境外投資管理系統), and issue to enterprises which have obtained filing or approval a Certificate of Overseas Investments of Enterprises(《企業境外投資證書》).

On December 26, 2017, the NDRC promulgated the Administrative Measures for the Outbound Investments by Enterprises (《企業境外投資管理辦法》) (the “**Enterprise Outbound Investments Measures**”), which became effective from March 1, 2018 and simultaneously repealed the Administrative Measures for Approval and Record-filing on Overseas Investment Projects (《境外投資項目核准和備案管理辦法》). According to Enterprise Outbound Investments Measures, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors.

Regulations Relating to Employment and Social Welfare

Employment

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the Standing Committee of the NPC on July 5, 1994 and amended and coming into effect on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) amended by the Standing Committee of the NPC on December 28, 2012 and coming into effect on July 1, 2013 and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and coming into effect on September 18, 2008, an employer shall strictly comply with the national standards, provide trainings to its employees, protect their labor rights and perform its labor obligations. An employer shall enter into a written labor contract with its employees. Labor contracts shall be categorized into labor contracts with fixed term, labor contracts without fixed term and labor contracts to be expired upon completion of certain tasks. The remuneration payable by an employer to its employees shall not be less than local minimum wage.

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Social Insurance and Housing Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee of NPC on October 28, 2010, amended and coming into effect on December 29, 2018, the Administrative Regulations on Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) amended by the State Council and coming into effect on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and coming into effect on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at the applicable rates based on the amounts stipulated by the laws. If it fails to pay required amount of premium to local administrative authorities on time or in full, it may be required to settle the overdue amount or subject to fine.

Regulations Relating to Intellectual Property

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), promulgated on September 7, 1990 and effective from June 1, 1991, revised respectively on October 27, 2001 and February 26, 2010 and November 11, 2020, and the Implementation of the Copyright Law of the PRC (《著作權法實施條例》) (the “**Copyright Implementation**”) promulgated on August 2, 2002, revised on January 30, 2013 and effective from March 1, 2013, copyright shall include the following personal rights and property rights: (1) publication right, i.e. the right to decide whether a work is made public; (2) right of authorship, i.e. the right to be named as author of a work; (3) right of revision, i.e. the right to revise a work or to authorize others to revise a work; (4) right to preserve the integrity of work, i.e. the right to protect a work from distortion or tampering; (5) reproduction right, i.e. the right to reproduce one or more copies of a work by printing, photocopying, rubbing, audio recording, video recording, duplication, photographic reproduction, etc.; (6) distribution right, i.e. the right to provide the original copy or replicas of a work to the public by sale or gift; (7) rental right, i.e. the right to license the temporary use of film works, works created using methods similar to film making and computer software by others for a fee, except where the computer software is not the main subject of lease; (8) exhibition right, i.e. the right to put the original copy or replicas of art works and photographic works on public display; (9) performance right, i.e. the right to put up a public performance of a work and publicly broadcast performance of a work through various means; (10) screening right, i.e. the right to put up a public screening of art works, photographic works, film works, works created using methods similar to film making, etc. through technical equipment such as film projector, slide projector, etc.; (11) broadcasting right, i.e. the right to publicly broadcast or transmit a work through wireless method, the right to transmit or broadcast a work to the public through cable or relay broadcast, and the right to transmit or broadcast a work to the public through a loudspeaker or other tools for transmission of symbols, sounds and images; (12) information network transmission right, i.e. the right to provide a work to the public through cable or wireless method so that the public may have access to the work at their individually selected time and venue; (13) filming right, i.e. the right to produce a work on a medium through film making or methods similar to film making; (14) adaptation right, i.e. the right to adapt a work, thus creating a new work with originality; (15) translation right, i.e. the right to convert the written text of a work from one language to another language; (16) compilation right, i.e. the right to select or arrange a work or parts of a work for compiling into a new work; and (17) any other rights belong to a copyright holder.

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A copyright holder may license others to exercise the rights among the abovementioned item (5) to item (17), and receive remuneration pursuant to the agreement or the relevant provisions of this Law. And a copyright holder may transfer all or some of the rights among the abovementioned item (5) to item (17), and receive remuneration pursuant to the agreement or the relevant provisions of this Law.

Furthermore, the period of protection of publication rights of works of a legal person or any other organization and works created in the course of employment in which copyright (except for right of authorship) belongs to a legal person or any other organization, and the rights among the abovementioned item (5) to item (17) shall be 50 years, and shall expire on December 31, of the 50th year following the first publication of the work; where the work is not published within 50 years from completion of the creation of the work, it shall not be protected by this Law. The period of protection of publication rights of film works, works created using methods similar to film making and photographic works and the rights among the abovementioned item (5) to item (17) shall be 50 years, and shall expire on December 31, of the 50th year following the first publication of the work; where the work is not published within 50 years from completion of the creation of the work, it shall not be protected by this Law.

Information Network Transmission Right

In accordance with the Regulations on Protection of Information Network Transmission Right (《信息網絡傳播權保護條例》) (the “**Regulations of Information Network Transmission Right**”), which was promulgated by the State Council on May 18, 2006, came into effect on July 1, 2006, then was amended on January 30, 2013 and came into effect on March 1, 2013, Information Network Transmission Right shall mean provision of works, performances or audio and video products through wired or wireless method to the public so as to give the public rights to access works, performances or audio and video products at their selected time and venue.

The Information Network Transmission Right of right holders shall be protected by the Copyright Law and the Regulations of Information Network Transmission Right. Unless otherwise provided by the laws and administrative regulations, any organization or individual providing the works, performances, audio and video products of others to the public via information network shall obtain the consent of the rights holders and pay remuneration. Rights holders may adopt technical measures to protect information network transmission right. Any organization or individual shall not intentionally avoid or destroy technical measures and shall not intentionally manufacture, import or provide devices or parts used principally for the avoidance or destruction of technical measures and shall not provide technical services for others to avoid or destroy technical measures, unless otherwise provided by the laws and administrative regulations. Furthermore, without the consent of the rights holder, any organization or individual shall not: (1) intentionally delete or alter digital rights management information of works, performances, audio and video products provided to the public via information network, except where the deletion or alteration is unavoidable due to technical reasons; or (2) provide works, performances, audio and video products via information network to the public when the organization or individual is aware or should be aware that the digital rights management information of such works, performances, audio and video products have been deleted or altered without the consent of the rights holder.

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Trademark

Trademarks are protected by the Trademark Law of the PRC (Revised in 2019) (《中華人民共和國商標法》(2019年修訂)) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, respectively as well as the Implementation Regulation of the PRC Trademark Law (Revised in 2014) (《中華人民共和國商標法實施條例》(2014年修訂)) adopted by the State Council on August 3, 2002 and amended on April 29, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the SAIC, handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office for record. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》)(the “**Domain Name Measures**”) issued by the MIIT, on August 24, 2017 and effective from November 1, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is the major regulatory body responsible for the administration of the PRC internet domain names. The domain name services follow a “first apply, first register” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Regulations Relating to Personal Information Protection

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), promulgated by the SCNPC on August 20, 2021 and effective on November 1, 2021, stipulates the scope of personal information and establishes rules for processing personal information onshore and offshore. According to the Personal Information Protection Law, personal information refers to any kind of information related to an identified or identifiable natural person as electronically or otherwise recorded, excluding information that has been anonymized. Processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information. Processing of personal information shall be for a specified and reasonable purpose, and shall be conducted for a purpose directly relevant to the purpose of processing and in a

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way that has the least impact on personal rights and interests. The Personal Information Protection Law also sets forth certain specific personal information protection requirements, including but not limited to more specific inform and consent requirements in various contexts, strengthened and classified obligations of personal information processors, and more limitations and rules on process of personal information.

REGULATIONS RELATING TO CYBERSECURITY

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of PRC (《中華人民共和國網絡安全法》), or the Cybersecurity Law, effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. The Cybersecurity Law defines “network” as a system comprising computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with specific rules and procedures. No individual or organization may engage in activities that threaten cybersecurity such as unlawful intrusion into others’ networks, interfering with the normal functions of others’ network and stealing network data, provide programs or tools for such intrusions, interference or stealing, or provide any assistance such as technical support, advertisement, payment or settlement for any other person if the individual or organization is fully aware that such person engages in an activity endangering cybersecurity.

On June 10, 2021, SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), effective as of September 1, 2021, which mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

According to the Measures for Cybersecurity Review (2021 Revision) (《網絡安全審查辦法》) (the “Revised Cybersecurity Review Measures”), the following circumstances shall be subject to a cybersecurity review, (i) the purchase of network products and services by a critical information infrastructure operator (關鍵信息基礎設施運營者) (the “CIIO”), as defined in Regulations on the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (“Regulations on CII”), which affects or may affect national security; (ii) the plan of a network platform operator holding personal information of more than one million users of listing abroad; and (iii) any network products or services, or data processing activities that the competent authorities believe affect or may affect national security.

According to Article 2 of the National Security Law of the People’s Republic of China (《中華人民共和國國家安全法》), national security refers to the condition in which the state power, sovereignty, unity and territorial integrity, people’s welfare, sustainable economic and social development, and other vital interests of the state does not face any danger or encounter any internal or external threats, and the state has the capability to safeguard its security. Article 10 of the Revised Cybersecurity Review Measures further provides that the cybersecurity review shall focus on the following assessments of national security risks: (i) the risks of illegal control, interference or destruction of critical information infrastructure brought about by the use of products or services; (ii) the risks of supply interruption of products or services necessary for the business continuity of critical information infrastructure; (iii) risks relating to the safety, transparency and diversity of sources

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of products or services and reliability of supply channels; (iv) the risks relating to compliance with PRC laws, administrative regulations and departmental rules by products and services providers; (v) the risks of theft, leakage, damage, illegal use or cross-border transfer of core data, important data or large amounts of personal information; (vi) the risks of influence on, control or malicious use of critical information infrastructure, core data, important data or large amounts of personal information by foreign governments after overseas listing, as well as the risks of network information security; and (vii) other factors that may endanger critical information infrastructure security, network security or data security.

The Draft Internet Data Security Regulations (《網絡數據安全管理條例 (徵求意見稿)》) (the “Draft Regulations”) stipulate data processing activities carried out through networks as well as the supervision and regulation of network data security within the territory of the People’s Republic of China should be subject to the Draft Regulations. According to the Draft Regulations, data processors are required to apply for a cybersecurity review if they (i) carry out any merger, reorganization or separation of internet platform operators with a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) seek a listing abroad of data processors that handle personal information of more than one million persons; (iii) seek a listing in Hong Kong, which affects or may affect national security; or (iv) conduct other data processing activities that affect or may affect national security. The Draft Regulations also stipulate some specific requirements for data processors on matters such as personal information requirement, security of important data, security management of cross-border data transfer and obligations of internet platform operators in accordance with the Personal Information Protection Law of the PRC, Data Security Law of the PRC and Cybersecurity Law of the PRC.

According to Article 21 of the National Security Law of the People’s Republic of China, the national data security work coordination mechanism shall coordinate the relevant departments in the formulation of a catalog of important data to strengthen the protection of important data. Data that matters to national security, national economy, people’s livelihood and material public interest, among others, shall be considered as national core data subject to a more stringent management system. Each region and department shall, according to the categorized and hierarchical data protection system, determine the specific catalogs of important data in the region or department and in the relevant industries and fields, and provide priority protection for data included in the catalogs. According to Article 73 of the Draft Internet Data Security Regulations (《網絡資料安全管理條例 (徵求意見稿)》) (the “Draft Regulations”), core data refers to data related to national security, national economy, people’s livelihood and major public interests. Important data refers to data that may endanger national security and public interests once it is tampered with, destroyed, leaked or illegally obtained or used.

Regulations Relating to Leasing

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated on May 28, 2020 and effective on January 1, 2021, a leasing contract shall include clauses dealing with the name, quantity and uses of the leased goods, the period of the lease, rent, deadlines for rent payments and methods of payment, the repair of the leased goods, etc. The lessee may sublease the leased premises to a third party, subject to the consent of the lessor.

Pursuant to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), promulgated by the SCNPC on July 5, 1994 and last amended on August 26, 2019 and effective on January 1, 2020 and the Administrative Measures on Leasing of Commodity Housing

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(《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development(住房和城鄉建設部) on December 1, 2010 with effect from February 1, 2011, the lessor and lessee shall complete property leasing registration and filling formalities within 30 days from execution of the property lease contract with the competent construction department where the leased property is located.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN KOREA

Regulations on Foreign Investment

The Foreign Investment Promotion Act (the “**FIPA**”) was enacted on September 16, 1998 and amended by Act No. 17799 on December 29, 2020. The purpose of the FIPA is to contribute to the sound development of national economy by promoting foreign investment in Korea by in turn, providing necessary support and benefit thereto. Foreign investment is defined in the FIPA, *inter alia*, as (i) foreigner holding stocks or shares of a Korean corporation in order to participate in the management thereof in accordance with the FIPA and (ii) overseas parent company of a foreign-invested company providing a loan with a maturity of not less than five years to such foreign-invested subsidiary pursuant to Article 2(1)(4) of the FIPA. In order to make a foreign investment, an application along with prescribed documents must be submitted to the President of the Korea Trade-Investment Promotion Agency or the head of a foreign exchange bank pursuant to Article 2(1) of the Enforcement Rules of the FIPA.

Taxes may be reduced or exempted for foreign investments as prescribed in the Restriction of Special Taxation Act and the Restriction of Special Location Taxation Act pursuant to Article 9 of the FIPA.

In addition, a foreign investor or a foreign-invested company must file for registration as a foreign-invested company within 60 days from completion of any of the following: (i) payment for the investment target and (ii) acquisition of stocks of a Korean corporation by the methods explained above pursuant to Article 21 of the FIPA and Article 27(1) of the Enforcement Decree of the same Act.

As Yuehua Korea was wholly owned by Yuehua Limited, a foreign company, at its time of incorporation, it had an obligation to register as a foreign-invested company. In addition, as Yuehua Limited’s shareholding ratio in Yuehua Korea changed to 85% following a resolution to issue new shares on August 28, 2020, an amendment registration was necessary. Yuehua Korea validly registered as a foreign invested company on September 25, 2014 and completed its amendment registration filing on September 16, 2020.

Regulations on Performance Brokerage Agency and Standard Form Contracts for Popular Culture Artists

The Popular Culture and Arts Industry Development Act (the “**PCAIDA**”) was enacted on January 28, 2014 and amended by Act No. 18250 on June 15, 2021. A person who intends to conduct popular culture planning business must register with the Ministry of Culture, Sports and Tourism, a central government agency responsible for promoting culture, arts, sports, tourism and religion, pursuant to Article 26(1) of the PCAIDA and Article 6(1) of the Enforcement Decree of the same Act.

Yuehua Korea completed its registration as a popular culture planning business with the Gangnam-gu Office on July 21, 2015.

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Furthermore, a popular culture planner entering into a contract on provision of popular culture services on behalf of its affiliated popular culture artists must give the relevant artist a prior explanation on the terms of the contract and cannot enter into a contract against the express opinion of such artist pursuant to Article 10 of the PCAIDA. Moreover, a popular culture planner may not allow any third person to conduct popular culture planning business by using the company's name or lending its certificate of registration pursuant to Article 28 of the PCAIDA. Any person in violation of the foregoing may be imposed an administrative fine not exceeding KRW 10 million.

In addition, under Article 8 of the PCAIDA, the Ministry of Culture, Sports and Tourism must, upon consultation with the Korean Fair Trade Commission, prepare a standard form contract on popular culture services to be entered into between a popular culture artist and a popular culture business. Under the standard form contract, a popular culture business, such as an artist management company, must in principle bear all expenses for a trainee's training activities. While an artist management company bears no obligation to utilize this standard form contract, where a standard form contract is used, the parties to the contract are deemed to have entered into contract on fair and equal terms pursuant to Article 7(3) of the PCAIDA. Yuehua Korea has entered into contract with each of its managed artists based on the standard form contract.

Regulations on Electronic Commerce

The Act on the Consumer Protection in Electronic Commerce was enacted on March 30, 2002, and amended by Act No. 17799 on December 29, 2020. A mail order distributor must file a report including its tradename, address, telephone number, email address, internet domain name, location of the host server computers and other prescribed matters pursuant to Article 12(1) of the Act on the Consumer Protection in Electronic Commerce and Article 13(1) of the Enforcement Decree of the same Act.

Yuehua Korea completed its registration as a mail order distribution business with the Gangnam-gu Office on October 16, 2015, in order to operate an online shopping mall selling goods in connection with its affiliated artists.

Regulations on Intellectual Property

Trademark Act

The Trademark Act was enacted on November 28, 1949, and amended by Act No. 18406 on August 17, 2021. Trademark means a mark used to distinguish goods of one business from those of others pursuant to Article 2(1)(1) of the Trademark Act.

In order to obtain a trademark registration, an application for trademark registration setting out prescribed items must be submitted to the Commissioner of the Korean Intellectual Property Office pursuant to Article 36(1) of the Trademark Act and the application is then examined by examiners pursuant to Article 50 of the Trademark Act. Trademark rights come into existence upon obtaining the trademark registration and establishing trademark rights pursuant to Article 82(1) of the Trademark Act. Furthermore, trademark rights survive for ten (10) years from the date of registration and establishment thereof and such term may be renewed for another years by filing an application to register the renewal of the term within one year prior to the expiration of the term or six months following the expiration of the term pursuant to Articles 83 and 84 of the Trademark Act.

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A trademark right holder holds the exclusive right to use the registered trademark in relation to the designated goods pursuant to Article 89 of the Trademark Act. A trademark right holder can seek an injunction requesting the prohibition or prevention of infringement against a person who infringes or is likely to infringe on its right pursuant to Article 107(1) of the Trademark Act. In addition, the trademark right holder can claim damages incurred against a person who has willfully or negligently infringed its trademark right pursuant to Article 109 of the Trademark Act.

As of the Latest Practicable Date, Yuehua Korea used nine trademarks in Korea and the trademark rights thereon have been validly registered.

Internet Address Resources Act

The Internet Address Resources Act was enacted on January 29, 2004 and amended by Act No. 17347 on June 9, 2020. Any person who intends to use domain names or other internet address resources must register such domain names with internet address management organizations or other related authorities pursuant to Article 11(1) of the Internet Address Resources Act. No one may obstruct the registration of any domain name or other internet address resources of a person who has a legitimate source of authority or register, process or use a domain name for unlawful purpose, such as to reap illegal profits from such person who has a legitimate source of authority pursuant to Article 12(1) of the Internet Address Resources Act.

As of the Latest Practicable Date, Yuehua Korea had validly registered and uses three domains under its name.

Regulations Relating to Property Ownership

The Korean Civil Code was enacted on February 22, 1958 and amended by Act No. 17905 on January 26, 2021. A lease becomes effective when one of the parties has agreed to allow the other party to use an object and take profits therefrom, and the other party has agreed to pay rent therefor pursuant to Article 618 of the Korean Civil Code. A lease term may be renewed and in case of a building, such renewal must be effected within three months prior to the expiration of the term pursuant to Article 620 of the Korean Civil Code.

As of Latest Practicable Date, Yuehua Korea lawfully held in total 11 leases for use as housing or training facility. In addition, as of Latest Practicable Date, Yuehua Korea owned the building in which its head office is located and has lawfully granted two leases within this building.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the Company was owned as to approximately 50.18% by DING GUOHUA LIMITED, and approximately 3.31% by QINGDINGDANG LIMITED, respectively. DING GUOHUA LIMITED is owned as to 80% by HuaDingGuo Limited (an entity wholly owned by Ms. Du), and 20% by Xihaha International Holding Limited (an entity controlled by Ms. Du through a trust), respectively. QINGDINGDANG LIMITED is owned as to 99% by Dawei International Holding Limited (an entity controlled by Mr. Sun through a trust) and 1% by DingDangQing Limited (an entity wholly owned by Mr. Sun).

Mr. Sun is cohabiting with Ms. Du as a spouse. By virtue of such relationship, Ms. Du, Mr. Sun and their respective controlled entities (being DING GUOHUA LIMITED, HuaDingGuo Limited, Xihaha International Holding Limited, QINGDINGDANG LIMITED, Dawei International Holding Limited and DingDangQing Limited) are considered to be a group of Controlling Shareholders, collectively holding approximately 53.49% equity interest in our Company as of the Latest Practicable Date.

Upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Du and Mr. Sun will be indirectly interested in and control, through their respective controlled entities, an aggregate of 45.46% of the issued share capital of our Company.

Accordingly, immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Du, Mr. Sun and their controlled entities remain as a group of Controlling Shareholders of our Company. DING GUOHUA LIMITED, HuaDingGuo Limited, Xihaha International Holding Limited, QINGDINGDANG LIMITED, Dawei International Holding Limited and DingDangQing Limited are investment holding companies with no substantive business activities. For the background of Ms. Du and Mr. Sun, see “Directors and Senior Management.”

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of nine Directors comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management.”

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his or her fiduciary duties as a director which require that he or she acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his or her personal interests;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. In addition, the interested Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates (as defined in the Articles) is materially interested in except for certain circumstances as set out in the Articles. For details, see “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “—Corporate Governance Measures” for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we operate independently of our Controlling Shareholders and their respective close associates. Our Company (through our subsidiaries) holds the relevant licenses, approvals and permits from the relevant regulatory authorities that are material to our operations. We have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and their respective close associates. We also have independent access to our customers and suppliers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

There were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates as of the Latest Practicable Date.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the Listing.

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, Ms. Du and Mr. Sun collectively hold 100% equity interest in Horgos Yuehua, a company engages in production and investment of variety programs, movies and drama series. As distinguished from the business conducted by Horgos Yuehua, the Group's pan-entertainment business mainly includes commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise. The variety program format licensing under the Group's pan-entertainment business refers to Yuehua Korea's sublicensing of the program format of a variety program to a leading online video platform in China, for which it receives licensing fees in return. As such, the variety program format licensing business under the pan-entertainment business is different from the variety program production business conducted by Horgos Yuehua. After the dismantlement of Horgos Yuehua, the Group does not intent to engage in the businesses historically conducted by Horgos Yuehua during the Track Record Period due to its strategic focus on the Group's core business. Therefore, the Directors consider that Horgos Yuehua does not competes and is not likely to compete, directly or indirectly, with our business. For details of the dismantlement of the Contractual Arrangements with respect to Horgos Yuehua, see "History, Reorganization and Corporate Structure—Reorganization—VI. Dismantlement of Contractual Arrangements" in this prospectus.

Save as disclosed above, and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, our Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interest. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of his or her associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his or her associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

“**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;

- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (g) we have appointed China Securities (International) Corporate Finance Company Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the Listing.

CONNECTED TRANSACTIONS

We have entered into certain agreements with our connected persons, details of which are set out below. Upon the Listing, the transactions contemplated under such agreements will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon the Listing and the nature of their relationship with our Group.

Connected person	Connected relationship
Nice Future	Nice Future is a company owned as to 10.0% by the Group and 60.0% by Mr. Du Jiang, the brother of Ms. Du. Therefore, Nice Future is an associate of Ms. Du.
Youku Information Technology (Beijing) Co., Ltd. (優酷信息技術(北京)有限公司) (“ Youku Information Technology ”)	Youku Information Technology is an consolidated affiliated entity of Beijing Youku Technology Co., Ltd. (北京優酷科技有限公司), a company wholly owned by Alibaba Investment Limited, which is in turn wholly owned by Alibaba Group Holding Limited. Interform Construction Supplies Limited is an indirect wholly-owned subsidiary of Alibaba Pictures Group Limited. Accordingly, Youku Information Technology and Interform Construction Supplies Limited are fellow subsidiaries of Alibaba Group Holding Limited. Therefore, Youku Information Technology is an associate of Interform Construction Supplies Limited, one of our substantial shareholders.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31, (RMB in thousands)		
			2022	2023	2024
Fully-exempt Continuing Connected Transactions					
(1) License and Cooperation Agreement	14A.76(1)(a)	N/A	N/A	N/A	N/A
Continuing connected transactions	Applicable Listing Rules	Waiver sought	2022	2023	
Non-exempt Continuing Connected Transactions					
(2) Business Cooperation Framework Agreement	Rule 14A.34-35 Rule 14A.49 Rule 14A.105	Announcement, circular and independent Shareholders’ approval	65,000	75,000	

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) License and Cooperation Agreement

On February 28, 2022, Yuehua Limited (for itself and on behalf of its subsidiaries) and Nice Future entered into a license and cooperation agreement (the “**License and Cooperation Agreement**”)

CONNECTED TRANSACTIONS

for licensing music IPs to be used for Quantum Youth (量子少年), a virtual artist group developed and owned by Nice Future.

Pursuant to the License and Cooperation Agreement, Yuehua Limited shall license music IPs it produced for Quantum Youth to Nice Future on non-exclusive and royalty-free basis, solely for the purpose of being used in the live broadcasting of such virtual artist group. For other commercial activities attended by Quantum Youth, the usage of the relevant music IPs requires prior consent from Yuehua Limited, and Yuehua Limited shall be entitled to benefits generated therefrom.

The creation of music IPs for Quantum Youth would enable the Company to expand and diversify its music IP library. More importantly, the Group considers Quantum Youth's live broadcasting as an important channel for promoting our music products, through which our music products could have more public exposure. With our music products gaining more popularity, our Group would be able to enjoy the benefits generated from the usage of our music products in other commercial activities (other than live broadcasting) attended by Quantum Youth, and may also license such music IPs to other third parties to enjoy the benefits generated therefrom. As confirmed by Frost & Sullivan, it is not uncommon for IP owners to license music IPs to business partners on a royalty-free basis so as to increase public exposure of music products. The Company also has similar royalty-free music IP licensing arrangements with other independent third parties, the cooperation with which mainly aims to promote its music products. Therefore, the cooperation under the License and Cooperation Agreement is mutually beneficial and our Group believes that the License and Cooperation Agreement is entered into in the ordinary and usual course of our business and is on normal commercial terms.

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the License and Cooperation Agreement above is expected to be, on an annual basis, less than 0.1% and the transactions are on normal commercial terms or better, these transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(2) Business Cooperation Framework Agreement

Principal terms

On August 16, 2022, Yuehua Limited (for itself and on behalf of its subsidiaries) and Youku Information Technology entered into a business cooperation framework agreement (the “**Business Cooperation Framework Agreement**”), pursuant to which Yuehua Limited shall procure suitable managed artists to perform relevant engagements with Youku Information Technology, including but not limited to entering into endorsement deals for the promotion of Youku membership, performing in variety programs, movies and drama series and other commercial activities.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of engagements, promotion fee, milestone payment schedules and other rights and obligations of the parties, based on the principles and within the parameters provided under the Business Cooperation Framework Agreement. The definitive terms of each of such underlying

CONNECTED TRANSACTIONS

agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

The initial term of the Business Cooperation Framework Agreement will commence on the Listing Date and expire on December 31, 2023, and such term would be renewed for a term of no more than three years subject to the parties' negotiation and applicable laws and regulations.

Reasons for and benefits of the transactions

Youku is one of the leading online video platforms in China and has great demand for engaging our artists. Our managed artists could in turn benefit from platform-based resources of Youku and gain more public exposure. Through market-oriented cooperation with various business units of Youku Information Technology, we can further enhance the reputation and social influence of our artists, which would bring greater value to our Group. In addition, the terms offered by our Group to Youku Information Technology under the existing underlying agreements are no more favorable than those offered to our other customers which are Independent Third Parties, and we will charge Youku Information Technology service fees with reference to the prevailing market price that is no less than those offered to our other independent customers, hence our services provided to Youku Information Technology are profitable and are in the interests of our Group and the Shareholders as a whole. As such, our services provided to Youku Information Technology under the Business Cooperation Framework Agreement are in the ordinary and usual course of our business and on normal commercial terms.

Pricing policy

The fees we charge Youku Information Technology shall be determined after arm's length negotiation between the parties with reference to various related commercial factors, including (i) the forms of promotion activities and promotion period; (ii) the popularity of artists; (iii) the prevailing market rates of engagement fees for attending the same and similar functions by artists of the same ranking; (iv) the quality and impacts of the relevant engagements; and (v) the workload and duration of the relevant engagements. The aforesaid pricing policies are no more favorable than those available to our other customers which are Independent Third Parties.

Historical transaction amounts

For the years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2022, the aggregate fees paid by Youku Information Technology to us for cooperation with us were approximately RMB11.8 million, RMB45.4 million, RMB62.3 million and RMB5.0 million, respectively. The historical amounts increased significantly from 2019 to 2020, mainly due to the increase of our managed artists starred in the variety programs produced by Youku or participated in other activities organized by Youku.

CONNECTED TRANSACTIONS

Annual caps

The proposed annual caps for the service fees payable by Youku Information Technology to our Group pursuant to the Business Cooperation Framework Agreement for the two years ending December 31, 2022, 2023 are set out below.

Proposed annual caps for the years ending December 31,		
2022		2023
65,000	<i>(RMB in thousands)</i>	75,000

The proposed annual caps above for the two years ending December 31, 2023 are determined with reference to:

- (i) the historical amounts incurred and the accrued amount in 2022 in connection with our cooperation with Youku Information Technology. The regional outbreaks of COVID-19 in various parts of China in the first half of 2022 led to the delay of certain live shooting activities, resulting in relatively lower transaction amounts for the four months ended April 30, 2022. Given that (1) the Group has secured several contracts with Youku with respect to certain managed artists' performance in the variety programs broadcast on Youku; (2) more of the Company's managed artists would perform in the variety programs broadcast on Youku in the second half of 2022; and (3) an endorsement deal with Youku for the promotion of Youku membership by one of our management artists has also been renewed in July 2022, it is expected that the transaction amounts to be incurred in connection with the cooperation with Youku Information Technology for the period from May to December 2022 would be significantly higher than the historical amounts for the four months ended April 30, 2022;
- (ii) the historical growth rate of contractual amounts under service agreements signed with Youku Information Technology;
- (iii) the historical rates of engagement fees for our managed artists to attend the same and similar functions as those included in our cooperation with Youku Information Technology; and
- (iv) the expected increase in the engagement fees for our managed artists in the near future.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to, on an annual basis, exceed 5%, such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATIONS FOR CONTINUING CONNECTED TRANSACTIONS

Transactions with Youku Information Technology

In respect of the Business Cooperation Framework Agreement, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated thereunder pursuant to Rule 14A.105 of the Listing Rules.

CONNECTED TRANSACTIONS

See “Waivers From Strict Compliance With the Listing Rules—Connected Transactions” for further details.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will continue to be carried out in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group.

Based on the above, the Joint Sponsors are of the view that the aforesaid continuing connected transactions, for which a waiver has been sought, have been entered into in the ordinary and usual course of our business on normal or better commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

As of the date of this prospectus, our Board of Directors comprises nine (9) Directors, including three (3) executive Directors, three (3) non-executive Directors and three (3) independent non-executive Directors. Our executive Directors, non-executive Directors and independent non-executive Directors will be subject to appointment and removal at the annual general meetings of our Company by ordinary resolution in accordance with the Articles of Association.

The following table sets out information in respect of the Directors of our Company.

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Ms. DU Hua (杜華) ⁽¹⁾	40	Executive Director, Chairlady of the Board and Chief Executive Officer	Overall strategic planning, business direction and day-to-day management of our Group	July 2009	June 2021
Mr. SUN Yiding (孫一丁) ⁽¹⁾	54	Executive Director and President	Participating in the Board's work related to the operation and management of our Group	May 2015	June 2021
Mr. SUN Le (孫樂)	41	Executive Director and Vice President	Establishing and maintaining customer relationship and marketing positioning	November 2009	June 2021
Ms. YAO Lu (姚璐)	43	Non-executive Director	Providing professional advice, opinion, and guidance to our Board	April 2020	January 2022
Mr. MENG Qingguang (孟慶光)	38	Non-executive Director	Providing professional advice, opinion, and guidance to our Board	November 2020	January 2022
Ms. ZHAO Wenjie (趙文婕)	39	Non-executive Director	Providing professional advice, opinion, and guidance to our Board	February 2021	January 2022
Mr. LIU Ya (劉亞)	60	Independent Non-executive Director	Supervising and providing independent opinion and judgment to the Board	February 2021 (left in January 2022 and will rejoin on the Listing Date) ⁽²⁾	Listing Date
Mr. LU Tao (呂濤)	56	Independent Non-executive Director	Supervising and providing independent opinion and judgment to the Board	February 2021 (left in January 2022 and will rejoin on the Listing Date) ⁽²⁾	Listing Date

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Mr. HUANG Jiuling (黃九嶺)	50	Independent Non-executive Director	Supervising and providing independent opinion and judgment to the Board	February 2021 (left in January 2022 and will rejoin on the Listing Date) ⁽²⁾	Listing Date

Notes:

- (1) Ms. Du and Mr. Sun are cohabiting as spouses.
- (2) Each of Mr. LIU Ya, Mr. LU Tao and Mr. HUANG Jiuling had been an independent director of our Company's subsidiary, Yuehua Limited, from February 2021 to January 2022. The appointment of independent directors of Yuehua Limited was at the recommendation of the sponsor to fulfill the requirements of the relevant rules in connection with the A Share Listing Attempt of Yuehua Limited during its Pre-listing Tutoring. In January 2022, for the purpose of the Reorganization in preparation for the Listing and to streamline the Group's governance structure, apart from Ms. Du who remained as an executive director of Yuehua Limited, the other then directors of Yuehua Limited resigned.

EXECUTIVE DIRECTORS

Ms. DU Hua (杜華), aged 40, is our founder, executive Director, the chairlady of the Board and the chief executive officer. Ms. Du was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022. Ms. Du is primarily responsible for the overall strategic planning and business direction and day-to-day management of our Group. She also holds directorship in a number of our subsidiaries¹.

Prior to founding Yuehua Limited in July 2009, Ms. Du worked at Huayou Digital Media Technology Co., Ltd. (華友數碼傳媒科技有限公司) and its affiliates, an internet service provider, from August 2004 to July 2009.

Ms. Du received a diploma majoring in English from North China Institute of Science and Technology (華北科技學院) in the PRC in July 2003 and completed the EMBA Program at Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2015.

Mr. SUN Yiding (孫一丁), aged 54, is our executive Director and President, primarily responsible for the operation and management of our Group. Mr. Sun joined the Group in May 2015. Mr. Sun was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022.

Mr. Sun served as a director and chief executive officer of RISE Education Cayman Ltd, an educational services provider, whose shares are listed on the Nasdaq Global Market (ticker symbol: REDU), from October 2013 to January 2022 and October 2013 to January 2020, respectively. Mr. Sun served as the general manager in GYMBOGLOBAL (CHINA) TRADING CO., LTD (金寶貝 (中國) 商貿有限公司), from September 2011 to August 2013. Mr. Sun also consecutively served as general manager of Jianan Gome, deputy general manager of headquarter procurement center, general manager of headquarter operation center, vice president and general manager of northern China in Gome Electrical Appliances Co., Ltd (國美電器有限公司) and the executive director in Gome Retail Holdings Limited (國美零售控股有限公司) (formerly known as Gome Electrical Appliances Holding Limited (國美電器控股有限公司)), whose shares are listed on the Stock Exchange (stock code: 0493), from April 1999 to April 2011.

¹ Yuehua Limited, Yuehua Investment, Tibet Yuehua, Hainan Yuehua, Tianjin Chufa, Tianjin Yihua, Tianjin Yuehua, Yuehua HK and YUE HUA HONG KONG.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun received a bachelor's degree in engineering from East China University of Science and Technology (上海華東理工大學) (formerly known as East China Institute of Chemical Technology (華東化工學院)) in the PRC in July 1990 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in October 2013.

Mr. SUN Le (孫樂) (with former name as Gao Xiang (高翔)), aged 41, is our executive Director and Vice President. Since joining our Group in November 2009, Mr. Sun Le has been primarily responsible for establishing and maintaining customer relationship and marketing positioning. Mr. Sun Le was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022. Mr. Sun Le joined our Group in November 2009, and he also serves as the vice general manager of Tibet Yuehua and Tianjin Yuehua and the executive director of Tianjin Yuedong, being subsidiaries of the Company, from November 2009 to January 2022.

Mr. Sun Le received a diploma majoring in dance from Minzu University of China (中央民族大學) in the PRC in July 1998. Mr. Sun Le obtained the qualification as a performance agent issued by China Association of Performing Arts (中國演出行業協會) in the PRC in August 2017. Mr. Sun Le is the individual member of the 7th council of China Association of Performing Arts and the director of the first council of Artist Agent Alliance of China Association of Performing Arts.

NON-EXECUTIVE DIRECTORS

Ms. YAO Lu (姚璐), aged 43, is our non-executive Director, primarily responsible for providing professional advice, opinion, and guidance to our Board. Ms. Yao was appointed as our Director on January 28, 2022, and re-designated as our non-executive Director on March 3, 2022. Ms. Yao had been a director of Yuehua Limited, being our subsidiary, from April 2020 to January 2022.

Ms. Yao has been serving as the strategic development director of Huarenwenhua Co., Ltd. (華人文化有限責任公司) since November 2014.

Ms. Yao received a bachelor's degree in arts from Shanghai International Studies University (上海外國語大學) in the PRC in July 2001 and completed the SJTU-USC advanced business administration postgraduate degree program in collaboration with the University of the Sunshine Coast, Queensland Australia and obtained a master degree of business administration from the University of the Sunshine Coast in September 2007.

Mr. MENG Qingguang (孟慶光), aged 38, is our non-executive Director, primarily responsible for providing professional advice, opinion, and guidance to our Board. Mr. Meng was appointed as our Director on January 28, 2022, and re-designated as our non-executive Director on March 3, 2022. Mr. Meng had been a director of Yuehua Limited, being our subsidiary, from November 2020 to January 2022.

Mr. Meng has been serving at the affiliate 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), since March 2013 and he is currently a senior producer at studio UP of Youku. Mr. Meng consecutively worked at Beijing 3C Media Co., Ltd. (北京世熙傳媒文化有限公司) from November 2012 to March 2013 and Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司), whose shares are listed on Shenzhen Stock Exchange (stock code: 300251) from July 2008 to October 2012.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Meng received a bachelor's degree in arts from Shandong University (山東大學) in the PRC in July 2006.

Ms. ZHAO Wenjie (趙文婕), aged 39, is our non-executive Director, primarily responsible for providing professional advice, opinion, and guidance to our Board. Ms. Zhao was appointed as our Director on January 28, 2022, and re-designated as our non-executive Director on March 3, 2022. Ms. Zhao had been a director of Yuehua Limited, being our subsidiary, from February 2021 to January 2022.

Ms. Zhao has been working at the affiliate of Beijing Quantum Jump Technology Co., Ltd. (北京量子躍動科技有限公司) since July 2014.

Ms. Zhao received a bachelor's degree in administration from Wuhan University (武漢大學) in the PRC in July 2004 and a master's degree in literature from Peking University (北京大學) in the PRC in June 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Ya (劉亞), aged 60, is our independent non-executive Director, primarily responsible for supervising and providing independent opinion and judgment to the Board. The appointment will take effect from the Listing Date. Mr. Liu had been an independent director of our Company's subsidiary, Yuehua Limited, from February 2021 to November 2021.

Mr. Liu currently has been serving as the general manager of Beijing YogiYoga Health Co., Ltd. (北京悠之季健身有限公司) since March 2019. Mr. Liu consecutively served the chief operation officer at Condé Nast Advertising (Shanghai) Co, Ltd (康仕廣告(上海)有限公司), a journal publishing company, from November 2007 to October 2017; During his work at Beijing YogiYoga Health Co., Ltd. and Condé Nast Advertising (Shanghai) Co, Ltd, apart from his responsibilities on business operation and general management, Mr. Liu was also responsible for overseeing the internal financial reporting of the companies. Mr. Liu worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing Branch (德勤華永會計師事務所(特殊普通合夥)北京分所) from February 2002 to October 2004; served as Mobility Services Compliance Tax Services Manager at Ernst & Young U.S. LLP (EY U.S.) Palo Alto, California office from February 2001 to January 2002.

Mr. Liu received a bachelor's degree in engineering from Tsinghua University (清華大學) in the PRC in July 1984 and a master's degree in economics from Chinese Academy of Fiscal Sciences (中國財政科學研究院) (formerly known as Research Institute for Fiscal Science, Ministry of Finance, P.R. China (財政部財政科學研究所)) in the PRC in September 1987. Mr. Liu is a non-practicing member of the China Institute of Certified Public Accountants.

Mr. Liu possesses appropriate professional accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules and confirms that he has gained such expertise through his experiences.

Mr. LU Tao (呂濤), aged 56, is our independent non-executive Director, primarily responsible for supervising and providing independent opinion and judgment to the Board. The appointment will take effect from the Listing Date. Mr. Lu had been an independent director of our Company's subsidiary, Yuehua Limited, from February 2021 to November 2021.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lu consecutively worked at Beijing branch of Dongda Pinkong Industries Co., Ltd (東大品控實業有限公司北京分公司) from March 2017 to October 2017 and Dongda Pinzheng Holdings Co., Ltd. (東大品證控股有限公司), a catering company, from December 2016 to February 2017. Mr. Lu served as a regional sales and marketing director of Hebei Kangda Co., Ltd. (河北康達有限公司), a company principally engaged in pesticides manufacture business, from August 2012 to September 2014; member of sales department from December 2002 to March 2011 and associate sales director from April 2011 to June 2012 of Shanghai Johnson Ltd (上海莊臣有限公司); regional sales manager of Shanghai Pillsbury Frozen Foods Co., Ltd, Beijing Branch (上海品食樂冷凍食品有限公司北京分公司) from January 2000 to December 2001.

Mr. Lu received a bachelor's degree majoring in business economics from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Commerce Institute (安徽財貿學院)) in the PRC in July 1987 and a master's degree in business administration from China Europe International Business School (中歐國際工商管理學院) in the PRC in July 2008.

Mr. HUANG Jiuling (黃九嶺), aged 50, is our independent non-executive Director, primarily responsible for providing independent opinion and judgment to the Board. The appointment will take effect from the Listing Date. Mr. Huang had been an independent director of our Company's subsidiary, Yuehua Limited, from February 2021 to November 2021.

Mr. Huang has been working at Chaoshang ASEAN Investment Fund Management Co., Ltd. (潮商東盟投資基金管理有限公司) since October 2020, responsible for the general management of the company. Mr. Huang consecutively served as the president of Beijing Banyan Investment Management Co., Ltd. (北京榕樹投資管理有限公司) from May 2009 to September 2020; president and vice president of Beijing Century Huarong Investment Management Co., Ltd. (北京世紀華融投資管理有限公司) from June 2004 to April 2009 and from July 2000 to May 2004, respectively.

Mr. Huang received a bachelor's degree in economics and a master's degree in business administration from Renmin University of China (中國人民大學) in the PRC in July 1994 and June 2001, respectively.

Save as disclosed in this section, none of our Directors holds any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. See "Statutory and General Information" in Appendix V to this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

Save for Mr. Sun who is cohabiting with Ms. Du as a spouse, none of our Directors and members of the senior management is related to other Directors and members of the senior management.

None of our Directors have any interest in any business, other than our Group's business, which compete or is likely to compete, either directly or indirectly, with our Group's business.

Save as disclosed above, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of each of our Directors which are required to be disclosed pursuant to paragraphs (b) to (v) of Rule 13.51(2) of the Listing Rules and there were no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Position	Roles and responsibilities	Date of joining our Group
Ms. DU Hua (杜華)	40	Executive Director, chairlady of the Board and Chief Executive Officer	Overall strategic planning and business direction and day-to-day management of our Group	July 2009
Mr. SUN Yiding (孫一丁)	54	Executive Director and President	Participating in the Board's work related to the operation and management of our Group	May 2015
Mr. SUN Le (孫樂)	41	Executive Director and Vice President	Establishing and maintaining customer relationship and marketing positioning	November 2009
Mr. ZHANG Wensheng (張文勝)	54	Chief Financial Officer	Overseeing the financial operation, risk management and investor relations	June 2020
Mr. LEE Sang Kyu	38	General Manager of Korean Business	Taking charge of operation of our Korean business	September 2010

Ms. DU Hua (杜華), aged 40, is the chairlady of our Board, executive Director and chief executive officer of our Company. For details of her biography, see “—Board of Directors—Executive Directors”.

Mr. SUN Yiding (孫一丁), aged 54, is the executive Director and president of our Company. For details of his biography, see “—Board of Directors—Executive Directors”.

Mr. SUN Le (孫樂) (former name: Gao Xiang (高翔)), aged 41, is the executive Director and vice president of our Company. For details of his biography, see “—Board of Directors—Executive Directors”.

Mr. ZHANG Wensheng (張文勝), aged 54, is our Chief Financial Officer and joined our Group in June 2020. Mr. Zhang is primarily responsible for overseeing the financial operation, risk management and investor relations.

Prior to join our Company in June 2020, Mr. Zhang worked at Gome Electrical Appliances Co., Ltd (國美電器有限公司) and its subsidiaries from March 2000 to April 2019.

Mr. Zhang received a bachelor's degree in economics from Tianjin University of Finance and Economics (天津財經大學) (formerly known as Tianjin Finance and Economics Institute (天津財經學院)) in the PRC in July 1990.

Mr. LEE Sang Kyu, aged 38, is our general manager of Korean business and joined our Group in September 2010. Mr. Lee is primarily responsible for overall operation and development of our Korean business.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee joined our Group as an artist manager in September 2010 and later served as the general manager of our Korean business from August 2016.

Mr. Lee received a bachelor's degree in arts from Communication University of China (中國傳媒大學) in July 2011.

JOINT COMPANY SECRETARIES

Mr. ZHANG Wensheng (張文勝), see “— Senior Management.”

Mr. CHUNG Ming Fai (鍾明輝), is a joint company secretary of our Company. He has over 17 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Since June 2022, Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange.

Mr. Chung is currently a member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in December 2003.

COMMITTEES UNDER THE BOARD OF DIRECTORS

Our Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises three independent non-executive Directors, namely Mr. LIU Ya, Mr. LU Tao and Mr. HUANG Jiuling. Mr. LIU Ya, being the chairperson of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee comprises one executive Director, namely Mr. SUN Yiding, and two independent non-executive Directors, namely Mr. LU Tao and Mr. Huang Jiuling. Mr. LU Tao is the chairman of the committee. The primary duties of the Remuneration Committee include, without limitation, the following: (i) making recommendations to the Board on our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) determining the delegated responsibility, the remuneration packages of individual executive Directors and senior management, or alternatively, making recommendations to the Board on such remuneration packages; and (iii) ensuring that the performance-related elements of

DIRECTORS AND SENIOR MANAGEMENT

remuneration form a significant proportion of the total remuneration package of executive Directors and are designed to align their interests with those of Shareholders and to give our Directors incentives to perform at the highest levels.

Nomination Committee

We have established the Nomination Committee in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director, namely Ms. Du, and two independent non-executive Directors, namely Mr. LIU Ya and Mr. LU Tao. Ms. Du is the chairlady of the committee.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Chairperson of the Board and Chief Executive Officer

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer and Ms. Du currently performs these two roles. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole. For further information relating to the Company's corporate governance measures, see "Relationship with the Controlling Shareholders — Corporate Governance Measures."

BOARD DIVERSITY POLICY

The Board will adopt a board diversity policy (the "Board Diversity Policy") prior to the Listing in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, publicity and marketing, content development, investment and financing, accounting and financial management. They obtained degrees in various majors including business administration, international journalism, marketing, accounting, business economics and statistics. We have three independent non-executive Directors with different industry backgrounds, representing

DIRECTORS AND SENIOR MANAGEMENT

more than one third of the members of our Board. Our Board Diversity Policy is well implemented as evidenced by the fact that there are both male and female Directors ranging from 38 years old to 60 years old with different backgrounds and experiences.

The Nomination Committee is responsible for reviewing the diversity of the Board. After Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

DIRECTOR'S REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus) for our Directors for the years ended December 31, 2019 and 2020 and 2021 and the four months ended April 30, 2022 was approximately RMB1.7 million, RMB2.6 million, RMB4.5 million and RMB4.8 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

For the years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2022, the five highest paid individuals of our Group included 1, 2, 2 and 1 Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the relevant Directors set out above. For the three years ended December 31, 2019 and 2020 and 2021 and the four months ended April 30, 2022, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the remaining 4, 3, 3 and 4 highest paid individuals who are not our Directors were approximately RMB7.8 million, RMB5.3 million, RMB7.3 million and RMB7.5 million, respectively. For further details on the remuneration of the five highest paid individuals during the Track Record Period, see Note 10 of the Accountant's Report in Appendix I to this prospectus.

Save as disclosed, no other payments have been paid or are payable, in respect of the years ended December 31, 2019 and 2020 and 2021 and the four months ended April 30, 2022 by our Company to our Directors or senior management.

Under the arrangement currently in force, our Company expects that the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2022 will be approximately RMB5.3 million.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed China Securities (International) Corporate Finance Company Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>As of the Latest Practicable Date</u>		<u>Upon completion of the Capitalization Issue and Global Offering</u>	
		<u>Number of Shares Held</u>	<u>Approximate percentage of interest in our Company</u>	<u>Number of Shares Held</u>	<u>Approximate percentage of interest in our Company</u>
Ms. Du	Interest in controlled corporation ⁽¹⁾	58,108,105	50.18%	376,350,000	42.64%
	Interest of spouse ⁽²⁾	3,827,984	3.31%	24,825,000	2.81%
HuaDingGuo Limited	Interest in controlled corporation ⁽¹⁾	58,108,105	50.18%	376,350,000	42.64%
DING GUOHUA LIMITED	Beneficial owner ⁽¹⁾	58,108,105	50.18%	376,350,000	42.64%
Mr. Sun	Interest in controlled corporation ⁽³⁾	3,827,984	3.31%	24,825,000	2.81%
	Interest of spouse ⁽²⁾	58,108,105	50.18%	376,350,000	42.64%
CMC Sports Investment Limited	Beneficial owner ⁽⁴⁾	16,500,135	14.25%	106,875,000	12.11%
Interform Construction Supplies Limited	Beneficial owner ⁽⁵⁾	16,500,000	14.25%	106,875,000	12.11%

Notes:

- (1) DING GUOHUA LIMITED is owned as to 80% by HuaDingGuo Limited (an entity wholly owned by Ms. Du), and 20% by Xihaha International Holding Limited (an entity controlled by Ms. Du through a trust), respectively. Therefore, Ms. Du and HuaDingGuo Limited are deemed to be interested in the Shares directly held by DING GUOHUA LIMITED by virtue of the SFO.
- (2) Ms. Du and Mr. Sun are cohabiting as spouse. Accordingly, for the purpose of the SFO, Ms. Du is deemed, or taken to be, interested in the Shares in which Mr. Sun is interested; and Mr. Sun is deemed, or taken to be, interested in the Shares in which Ms. Du is interested.
- (3) QINGDINGDANG LIMITED is owned as to 99% by Dawei International Holding Limited (an entity controlled by Mr. Sun through a trust) and 1% by DingDangQing Limited (an entity wholly owned by Mr. Sun). Therefore, Mr. Sun is deemed to be interested in the Shares directly held by QINGDINGDANG LIMITED by virtue of the SFO.
- (4) CMC Sports Investment Limited is wholly owned by CMC Sports Acquisition Limited, which is in turn wholly owned by CMC Sports Group Limited, then wholly owned by CMC Inc. CMC Inc. is a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited, which holds the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited. Gold Pioneer Worldwide Limited was wholly-owned by Brilliant Spark Holdings Limited, which was in turn wholly-owned and controlled by Mr. Li Ruigang. Therefore, each of CMC Sports Acquisition Limited, CMC Sports Group Limited, CMC Inc., Gold Pioneer Worldwide Limited, GLRG Holdings Limited, Brilliant Spark Holdings Limited and Mr. Li Ruigang is deemed to be interested in the Shares directly held by CMC Sports Investment Limited by virtue of the SFO.
- (5) Interform Construction Supplies Limited is wholly owned by SAC Enterprises Limited, which is in turn wholly owned by Alibaba Pictures Group Limited, a consolidated subsidiary of Alibaba Group Holding Limited. Therefore, each of SAC Enterprises Limited, Alibaba Pictures Group Limited and Alibaba Group Holding Limited is deemed to be interested in the Shares directly held by Interform Construction Supplies Limited.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would be required to be disclosed to us pursuant to the provisions of Divisions 2 and

SUBSTANTIAL SHAREHOLDERS

3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 400 Shares) that may be purchased for an aggregate amount of approximately HK\$275.9 million (exclusive of brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee)(the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$6.80, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 40,571,200 Offer Shares, representing approximately 30.61% of the Offer Shares pursuant to the Global Offering and approximately 4.59% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$7.65, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 36,063,600 Offer Shares, representing approximately 27.20% of the Offer Shares pursuant to the Global Offering and approximately 4.08% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over- allotment Option is not exercised).

Assuming an Offer Price of HK\$8.50, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Shares to be subscribed by the Cornerstone Investor would be 32,456,800 Offer Shares, representing approximately 24.49% of the Offer Shares pursuant to the Global Offering and approximately 3.68% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company and its subsidiaries, the Directors, chief executive, the Controlling Shareholders, substantial shareholders and existing Shareholders or any of their respective close associates; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company and its subsidiaries, the Directors, chief executive, the Controlling Shareholders, substantial shareholders and existing Shareholders or any of their respective close associates; (iv) the Cornerstone Investors are independent from each other; and (v) each Cornerstone Investor will utilize either (a) their proprietary funding or (b) the proprietary funding of the funds under their management, as appropriate, as their source of funding for the subscription of the Offer Shares. Details of the actual number of the Offer Shares to be allocated to each of the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around September 6, 2022.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of the Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board

CORNERSTONE INVESTORS

representation in the Company; and none of the Cornerstone Investors will become a substantial shareholder of the Company. The Cornerstone Investors do not have any preferential rights under the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

There are no side arrangements or side agreements between the Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements and payment for the Offer Shares to be subscribed by the Cornerstone Investors will be settled before the Listing.

THE CORNERSTONE INVESTORS

Set out below is the aggregate number of Offer Shares, and the corresponding percentage to our Company's total issued share capital under the Cornerstone Placing:

Cornerstone Investor	Investment amount (HK\$ in million ⁽¹⁾)	Number of Offer Shares to be acquired ⁽²⁾	Assuming a final Offer Price of HK\$6.80 per Share (being the low-end of the indicative Offer Price range)			
			Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer Shares	Approximately % of the issued share capital	Approximately % of the Offer Shares	Approximately % of the issued share capital
Harvest (as defined below)	156.7	23,045,600	17.39%	2.61%	15.12%	2.55%
BlueFocus International (as defined below)	80.0	11,764,400	8.87%	1.33%	7.72%	1.30%
Maoyan HK (as defined below)	39.2	5,761,200	4.35%	0.65%	3.78%	0.64%
Total	275.9	40,571,200	30.61%	4.59%	26.62%	4.49%

Cornerstone Investor	Investment amount (HK\$ in million ⁽¹⁾)	Number of Offer Shares to be acquired ⁽²⁾	Assuming a final Offer Price of HK\$7.65 per Share (being the mid-point of the indicative Offer Price range)			
			Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer Shares	Approximately % of the issued share capital	Approximately % of the Offer Shares	Approximately % of the issued share capital
Harvest (as defined below)	156.7	20,485,200	15.45%	2.32%	13.44%	2.27%
BlueFocus International (as defined below)	80.0	10,457,200	7.89%	1.18%	6.86%	1.16%
Maoyan HK (as defined below)	39.2	5,121,200	3.86%	0.58%	3.36%	0.57%
Total	275.9	36,063,600	27.20%	4.08%	23.66%	4.00%

CORNERSTONE INVESTORS

Assuming a final Offer Price of HK\$8.50 per Share (being the high-end of the indicative Offer Price range)

Cornerstone Investor	Investment amount (HK\$ in million ⁽¹⁾)	Number of Offer Shares to be acquired ⁽²⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer Shares	Approximately % of the issued share capital	Approximately % of the Offer Shares	Approximately % of the issued share capital
Harvest (as defined below)	156.7	18,436,400	13.91%	2.09%	12.09%	2.04%
BlueFocus International (as defined below)	80.0	9,411,600	7.10%	1.07%	6.17%	1.04%
Maoyan HK (as defined below)	39.2	4,608,800	3.48%	0.52%	3.02%	0.51%
Total	275.9	32,456,800	24.49%	3.68%	21.28%	3.59%

Notes:

- (1) Calculated based on the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering—Exchange Rate Conversion”.
- (2) Rounded down to the nearest whole board lot of 400 Shares.

CORNERSTONE INVESTORS

The following information about the Cornerstone Investors was provided to the Company by the Cornerstone Investors in relation to the Cornerstone Placing.

1. **Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP**

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP (“**Harvest**”) is a fund established in February 2022. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited (“**HGI**”) and 9% of the management shares are held by Harvest Global Capital Investments Limited (“**HGCI**”). Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd (“**HFM**”). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The participating shareholder of Harvest is Navigator Technology Limited (“**NTL**”), and the ultimate beneficial owner of NTL is Zheng Fuhua (鄭复花), an Independent Third Party.

Harvest became acquainted with our Company through the introduction of one of the Joint Bookrunners.

Our Company believes that the cornerstone investment from Harvest will help raise our profile and signify that such investor has confidence in our business and prospect.

2. **BLUEFOCUS INTERNATIONAL LIMITED**

BLUEFOCUS INTERNATIONAL LIMITED (“**BlueFocus International**”) is a limited liability company incorporated under the laws of Hong Kong in 2009, and is principally engaged in intelligent marketing services. BlueFocus International is directly wholly-owned by BlueFocus Intelligent Communications Group Co., Ltd. (北京藍色光標數據科技股份有限公司) (“**BlueFocus Intelligent**”), a company listed on the Shenzhen Stock Exchange (stock code: 300058) and is principally engaged in provision of integrated marketing solutions, domestic and outbound marketing agency services and intelligent metaverse solutions. As confirmed by BlueFocus Intelligent, approval from its shareholders or the Shenzhen Stock Exchange is not required for BlueFocus International to subscribe for the Shares.

We became acquainted with BlueFocus Intelligent in the ordinary course of business through our business network. Tianjin Yihua, our wholly-owned subsidiary, has cooperated with Uni-Blue Technology Co., Ltd. (藍色宇宙數字科技有限公司) (“**Uni-Blue**”), a wholly owned subsidiary of BlueFocus Intelligent, to establish Beijing Wuyin Digital Technology Co., Ltd. (北京吾音數字科技有限公司) (“**WUYIN**”), a company primarily engaged in virtual artist business. As of the Latest Practicable Date, Uni-Blue and Tianjin Yihua held 45% and 20% interests in WUYIN, respectively, while the remaining 35% interests in WUYIN were held by three Independent Third Parties.

CORNERSTONE INVESTORS

Our Company believes that we will benefit from the cornerstone investment by BlueFocus International, taking into account the business sectors it primarily focuses on and the potential business synergies between us and BlueFocus International and its associated companies.

3. Maoyan Entertainment (HK) Limited (貓眼娛樂 (香港) 有限公司)

Maoyan Entertainment (HK) Limited (貓眼娛樂 (香港) 有限公司) (“**Maoyan HK**”) is a limited liability company incorporated under the laws of Hong Kong in 2018. Maoyan HK is an investment holding company wholly-owned by Maoyan Entertainment (貓眼娛樂), a company listed on the Stock Exchange (stock code: 1896) and a leading “technology + pan-entertainment” service provider in China, with three major business segments: online entertainment ticketing services, entertainment content services, and advertising services and others. As confirmed by Maoyan Entertainment, approval from its shareholders or the Stock Exchange is not required for Maoyan HK to subscribe for the Shares.

Our Company became acquainted with Maoyan Entertainment in the ordinary course of business through our business network.

Our Company believes that we will benefit from the cornerstone investment by Maoyan Entertainment, taking into account the business sectors it primarily focuses on and the potential business synergies between us and Maoyan Entertainment.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to acquire the Offer Shares under their respective Cornerstone Investment Agreement is subject to the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (ii) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering);
- (iii) the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective representations, warranties, acknowledgements and confirmations of each Cornerstone Investors under the respective Cornerstone Investment Agreement are (as of

CORNERSTONE INVESTORS

the date of the Cornerstone Investment Agreement) accurate and true in all respects and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to their respective Cornerstone Investment Agreement, save for the limited circumstance where the Shares are transferred to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised).

	<u>Number of Shares</u>	<u>Aggregate nominal value</u>
Authorized share capital ⁽¹⁾	2,000,000,000	US\$200,000.00
Shares in issue as of the date of this prospectus ⁽²⁾	115,790,000	US\$11,579.00
Shares to be issued as part of the Capitalization Issue	634,210,000	US\$63,421.00
Shares to be issued under the Global Offering	132,560,000	US\$13,256.00
Shares in issue immediately following the Global Offering	882,560,000	US\$88,256.00

Notes:

- (1) See “Appendix V—Statutory and General Information—A. Further Information about our Group—3. Resolutions of our Shareholders” to this prospectus for further details.
- (2) The Preferred Shares will be converted into the Shares on a one-to-one basis by way of re-designation and re-classification immediately prior to the completion of the Capitalization Issue and Global Offering.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. The above table also does not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors are authorized to allot and issue a total of 634,210,000 Shares credited as fully paid at par on Listing Date 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 Listing Date, 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.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

Upon completion of the Global Offering, our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

SHARE CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its share capital into shares of larger amount, (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See “Summary of the Constitution of the Company and Cayman Islands Company Law—2. Articles of Association—2.4 Alteration of capital” in Appendix IV to this prospectus for further details.

Share Incentive Plan

We adopted the Share Incentive Plan on December 10, 2021. See “Statutory and General Information—D. Share Incentive Plan” in Appendix V to this prospectus for further details.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- 20% of the number of Shares in issue immediately following completion of the Global Offering; and
- the total number of Shares repurchased by us under the authority referred to “General mandate to repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information—A. Further Information about our Group—3. Resolutions of our Shareholders” in Appendix V to this prospectus for further details of this general mandate to allot, issue and deal with Shares.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with a total number of up to 10% of the total number of our Shares in issue immediately following the completion of the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. For relevant Listing Rules, see “Statutory and General Information—A. Further Information about our Group—5. Repurchases of our Own Securities” in Appendix V to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information—A. Further Information about our Group—3. Resolutions of our Shareholders” in Appendix V to this prospectus for further details of this general mandate to repurchase Shares.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with the consolidated financial statements as of and for each of the years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, and the notes thereto included in the Accountant's Report set out in Appendix I to this prospectus which have been prepared in accordance with IFRS and the selected historical financial information and operating data included elsewhere in this prospectus. Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in "Risk Factors."

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are an established artist management company in China. According to Frost & Sullivan, we ranked first among artist management companies in China with a market share of 1.9% in terms of artist management revenue in 2021. Since our establishment in 2009, we have grown into a cultural and entertainment platform comprising three complementary business segments of artist management, music IP production and operation, and pan-entertainment business. As of the Latest Practicable Date, we had 66 managed artists and 71 talented trainees enrolled in our professional trainee program. According to Frost & Sullivan, Yuehua is now a well-known entertainment brand in China.

We derive our revenue from artist management, music IP production and operation, and pan-entertainment business. With our artist management business, we provide services to our customers, including corporate customers, media platforms, content producers and advertising agencies, by arranging our managed artists to participate in commercial activities and perform in movies, drama series and variety programs. With our music IP production and operation business, we license the music IPs in our library to music streaming platforms and other music service providers for licensing fees, and sell digital and physical copies of our music IPs. We also generate a small portion of our revenue from other businesses in the pan-entertainment industry, including commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise.

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 revenue increased by 3.4% from RMB341.3 million in the four months ended April 30, 2021 to RMB352.9 million in the four months ended April 30, 2022. 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. Our profit for the period decreased by 27.3% from RMB110.7 million in the four months ended April 30, 2021 to RMB80.5 million in the four months ended April 30, 2022, primarily due to the equity settled share-based payments incurred in the four months ended April 30, 2022. For more details, see "—Period to Period Comparison of Results of Operations."

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BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 10, 2021. In preparation for the Global Offering, we underwent the Reorganization as described in “History, Reorganization and Corporate Structure.” Our Company and its subsidiaries are principally engaged in artist management, music IP production and operation, and pan-entertainment business (collectively, the “Listing Business”) in the PRC and Korea. Immediately prior to the Reorganization and during the Track Record Period, the Listing Business was mainly carried by Yuehua Limited and its subsidiaries (the “Operating Entities”). Pursuant to the Reorganization, the Listing Business was transferred to and held by our Company.

Our Company and the companies newly incorporated during the Reorganization have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business with no changes in management of the Listing Business and the ultimate owners of the Listing Business remain the same. Accordingly, our Group resulting from the Reorganization is regarded as a continuation of the Listing Business under the Operating Entities and the historical financial information has been prepared and presented on a consolidated basis, with the assets and liabilities of our Group recognized and measured at the carrying amounts in the financial statements of the Operating Entities for all periods presented.

The historical financial information of our Group has been prepared in accordance with IFRS issued by International Accounting Standards Board (“IASB”). The historical financial information has been prepared under the historical cost convention, except for certain financial assets and financial liabilities that are measured at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgment in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 of the Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, and are expected to continue to be, affected by the following significant factors.

Industry Trends and Regulatory Environment

Our business depends on discretionary consumer and corporate spending. The cumulative effect of rising disposable income level and continuous urbanization fueled the residents’ demand for entertainment. The per capita expenditure of urban residents in culture and entertainment kept increasing from approximately RMB2,097.0 to RMB2,101.7 at a CAGR of 0.1% between 2017 and 2021, according to Frost & Sullivan. Along with the resumption of production in all walks of life and increasing disposable income level of Chinese residents, the per capita annual consumption expenditure of urban residents on culture and entertainment is expected to reach approximately RMB3,390.6 by 2026 at a CAGR of 10.0% between 2021 and 2026, according to Frost & Sullivan. The prosperity of the overall economy in China has incentivized enterprises to increase their expenditures in advertising, business promotion and content production activities, thus increasing the demand for services of our managed artists. In response to such trend, we have been diligently

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identifying collaboration opportunities with reputable domestic and international brands and securing endorsement deals and other business promotion activities for our managed artists. To reinforce the audience's affinity to our managed artists, we have proactively invested our resources in establishing strong ties between our target audience and our managed artists through various online and offline channels. However, unfavorable changes in economic conditions, including recession, inflation, lack of access to capital, lack of consumer confidence, can impact corporate and consumer spending, resulting in reductions in the demand for services provided by our managed artists, which could affect our ability to generate revenues. For more details, see "Risk Factors—Risks Relating to Our Business and Industries—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 and results of operations are also subject to government policies and regulations applicable to the entertainment industry. We are required to obtain and maintain a number of qualifications, licenses and permits for our business in the PRC, including the Commercial Performance Licenses required for our artist management business. As advised by our PRC Legal Advisor, we had obtained all material licenses, permits and approvals required for our operation, which were valid and remained in effect as of the Latest Practicable Date. 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, our business and results of operations will be materially and adversely affected. For more details, see "Risk Factors—Risks Relating to Our Business and Industries—Inability to renew or obtain our qualifications, licenses and permits could materially affect our business, financial condition and results of operations." Moreover, our business operations could also be affected if the PRC government makes changes to the existing laws, regulations or policies or adopts additional or more stringent laws, regulations or policies applicable to us. Meanwhile, we have operations in Korea and thus are subject to regulatory requirements, including but not limited to various licensing requirements in Korea. Any changes in regulatory requirements, government policies, inspections and enforcements in Korea could increase our costs or have a negative impact on our overseas operations, which may in turn affect our results of operations.

Our Ability to Retain and Attract Customers for Artist Management Business

Our ability to continue to maintain existing customers and attract new customers is critical to the continuous success and growth of our business. Our business managers keep in close and regular contact with corporate customers, media platforms, content producers and advertising agencies to procure commercial opportunities for our managed artists. They also closely monitor the trends in Chinese pop culture to explore new commercial opportunities and identify potential customers. We implement a multichannel publicity strategy to enable our managed artists to have more exposure to the general audience and potential customers.

During the Track Record Period, we built an extensive business network with customers from a variety of industries, such as consumer, retail, automobile and telecommunication industries. The number of business activities of our artist management business generating revenue increased from approximately 380 in 2019 to approximately 500 in 2020, and further increased to approximately 640 in 2021. Due to the recent regional outbreaks of COVID-19 variants, the number of business activities

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of our artist management business generating revenue decreased from approximately 290 in the four months ended April 30, 2021 to approximately 270 in the four months ended April 30, 2022. However, since the average contract price for business activities generating revenue in the four months ended April 30, 2022 was higher than that in the four months ended April 30, 2021, the revenue we generated from artist management business increased from RMB307.9 million in the four months ended April 30, 2021 to RMB316.7 million in the four months ended April 30, 2022. Through our insights into the entertainment needs of the general public and understanding of the artists' characters and talents, we are able to identify and match artists who are the most suitable for the customers' projects and coordinate our managed artists to provide quality services to customers. As an artist's public image is critical for his or her career success, we have built a dedicated artist promotion team specialized in guidance on how the artists would maintain a positive public image which is important for the success of customers' projects. Our artists' solid performance skills and high self-discipline standards fostered by the trainee system are also critical in helping us win the trust of our customers.

Our Relationship with Our Managed Artists

Our relationship with our managed artists is crucial to our business growth. Our managed artists are our suppliers who provide services to us by (i) participating in commercial activities we arranged for them, such as endorsement deals, business promotion activities and commercial performances, (ii) performing in movies, drama series and variety programs, and (iii) engaging in production of musical works as well as other activities in our pan-entertainment business.

As of the Latest Practicable Date, we had 66 managed artists. To maintain a stable relationship with our artists, and train and promote new talent to become our managed artists is crucial to our business success and sustainable development. To build stable relationships with our artists, we have entered into long-term artist management contracts, generally ranging from five to 15 years with all of our managed artists. We provide our artists with systematic training, professional career planning and integrated market resources, facilitating the artists to focus on their performances, increase their commercial value and prolong their career life. Through such measures, we built stable, long-term and mutually beneficial relationships with our artists.

Meanwhile, we continuously identify and attract talented trainees, prepare them for the market and expand our talent pool. As of the Latest Practicable Date, we had 71 trainees enrolled in our trainee program. Every year, we host multiple rounds of auditions to identify talented young people and offer them the opportunities to join our trainee program. After they enter into a trainee contract with us, we provide them with professional and systematic trainings and prepare them for the market to be our managed artists. By maintaining a stable talent pipeline, we are able to continuously bring new blood into our talent pool and cultivate and promote high-quality artists to expand our artist roster on a steady and ongoing basis, enabling us to achieve sustainable growth and enhancing our brand influence. We expect to increase the number of artists and trainees and generate more revenue from our business operations.

Revenue Sharing for Artist Management Business as A Major Component of Our Cost of Revenue

Revenue sharing for artist management business accounted for a majority of our total cost of revenue during the Track Record Period. We recorded revenue sharing for artist management business of RMB240.8 million, RMB318.7 million, RMB529.2 million, RMB132.9 million and RMB148.8

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million in 2019, 2020 and 2021 and four months ended April 30, 2021 and 2022, respectively, accounting for 68.4%, 74.3%, 76.8%, 81.9% and 75.5% of our total cost of revenue for the same periods, respectively. The total amount of our revenue sharing for artist management business is primarily affected by (i) the number of our managed artists, and (ii) the revenue sharing ratio our managed artists enjoy pursuant to their artist management contracts with us.

IMPACT OF COVID-19

Since December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has materially and adversely affected global economy. In response to COVID-19 and its recent recurrence in the PRC and other regions we operate in, the governments have imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures. The lockdown and various social distancing initiatives adopted by the governments during the outbreak of COVID-19 have caused people to turn to online social and entertainment activities in lieu of physical gatherings, and have caused a decline in the business activities in China in general, which in turn had a negative impact on the entertainment industry, particularly during the lockdown in the first half of 2020.

We took a series of measures in response to the outbreak to protect our employees, including remote working arrangements and suspension of business trips. 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 our capacity and efficiency of 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 and/or our offices may have to be shut down for disinfection.

While the COVID-19 pandemic did not materially and 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 certain movies, drama series and variety programs in which our managed artists participated were delayed. Some of our customers postponed or canceled their offline promotion events, leading to a decreased demand for our managed artists' in-person performance. Despite the above, 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. 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.

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. For example, from January 1, 2022 to the Latest Practicable Date, five secured projects (three for commercial activities and two for entertainment content services) with a total contract value of approximately RMB4.2 million, were canceled. During the same period, 28 secured projects (18 for commercial activities and ten for entertainment content services) were postponed, which resulted in delays in receiving payments. We received refund requests of approximately RMB1.6 million from customers due to the cancellation of two projects for commercial activities and one project for entertainment content services and had repaid approximately RMB0.8 million to certain customers from January 1, 2022 to the Latest Practicable Date. Other than the above, we had not received any refund request from any

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customer due to the cancellation or postponement of these projects as of the Latest Practicable Date. Despite the impact of the COVID-19 pandemic, our revenue increased from RMB341.3 million in the four months ended April 30, 2021 to RMB352.9 million in the four months ended April 30, 2022.

The recent regional outbreaks of COVID-19 in China led to a relatively lower demand for the services provided by our managed artists, which has adversely impacted our ability to pursue new business opportunities for our managed artists. Due to the impact of the COVID-19 pandemic, 31 projects under negotiation (27 for commercial activities and four for entertainment content services) with an estimated total contract value of approximately RMB138.3 million were canceled from January 1, 2022 to the Latest Practicable Date, which caused a decrease in the number of contracts we newly secured in 2022.

Having considered the above, 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, and have difficulty in securing more new contracts for our managed artists to generate revenue.

In response to the recent resurgences of the COVID-19 pandemic, our Directors have adopted business contingency plans to reduce the negative impact on our business, results of operations and financial condition. We maintain close communications and negotiations with our customers to arrange online performance or to switch planned offline activities to online, such as social media marketing activities and livestream ecommerce, as alternative plans to certain existing contracts. Our dedicated artist operation team proactively explore new opportunities to cooperate with corporate customers, media platforms, content producers and advertising agencies and make efforts to secure more contracts for our managed artists. From January 1, 2022 to the Latest Practicable Date, we had successfully switched offline activities planned in seven secured projects for commercial activities with a total contract value of approximately RMB69 million to online activities for our managed artists after negotiation with relevant customers. During the same period, we cooperated with certain major music stream platforms and leading satellite TV networks in China and successfully arranged more than two online concerts for certain managed artists. We also plan to invest more in production of musical works for our managed artists to further develop our music IP production and operation business. From January 1, 2022 to the Latest Practicable Date, we had released nine digital singles and seven digital albums, comprising 49 songs in total, that we produced for our managed artists and a virtual artist group. In the rest of 2022, we plan to continue to produce and release three digital singles and 12 digital albums, comprising approximately 60 songs in total, for our managed artists and virtual artists.

We closely monitor the development of the COVID-19 pandemic. However, we cannot reasonably estimate the ultimate impact and duration of the COVID-19 pandemic, and the extent of its impact on our business, results of operations and financial condition as these depend on factors beyond our control. Such factors primarily include the continued spread or recurrence of infection, the implementation of effective preventative and containment measures, the development of effective medical solutions, and the extent to which governmental restrictions on travel, public gatherings and other activities remain in place or are augmented.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as our Group performs; or
- does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, our Group allocates revenue to each performance obligation based on its relative standalone selling price. Our Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, our Group presents the contract in the statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our Group's right to consideration in exchange for goods and services that our Group has transferred to a customer. A receivable is recorded when our Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before our Group transfers a good or service to the customer, our Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our Group's obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due from the customer).

Revenue recognition by business line

Our Group principally derives revenue from artist management, music IP production and operation and pan-entertainment business services:

Artist management

Our Group provides artist management service to corporate customers by arranging its artists to participate in commercial activities, such as endorsement deals, business promotion events and

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commercial performances, and entertainment content services, such as performing in movies, drama series and variety programs. Revenue is recognized when the relevant services are provided either over the fixed endorsement deals contract period or scheduled production period of movies, drama series and variety programs, or at the point in time when the artists attend those events and performances.

In evaluating our Group's role as a principal or agent in the provision of artist management services, our Group considers individually or in combination, that (a) our Group is the primary obligator for fulfilling its promise to its customers with the artist management services as it negotiates the service scope, has full discretion to determine which business activities to undertake, which artists will be assigned the plan and the manner in which the artists will fulfill the demand of customers for these activities; (b) our Group bears certain inventory risk as it needs to pay for the training of artists and costs of training and styling services provided by third-party vendors or in-house staff to the artists, as well as the staff costs (including those staff who work together with the artist on these business activities) and does not have unconditional right to all the revenue until it has provided the services to the customers; and (c) our Group has discretion in establishing the contract price for these business activities with the corporate customers and have ability to negotiate the service terms and pricing separately with the artists and third-party vendors who provide training and styling services. Thus, our Group is regarded as the principal and recognizes revenue from artist management on a gross basis and recognizes fulfillment costs, primarily being revenue-sharing with artists and online platforms, the costs of artist training and styling services provided by third-party vendors as cost of revenue.

Music IP production and operation

Our Group generates revenue from sub-licensing music copyrights to third parties' online platforms. Under these arrangements, our Group's performance obligations are either (i) to deliver specific licensed songs from its existing music content for fixed periods of time; or (ii) to maintain dynamic licensed content libraries for these online platforms to access for fixed periods of time, during which our Group is required to maintain a minimum number of songs' licenses and obliged to replicate the licensed content libraries for any subsequent change in the content, including addition of new content or removal of existing content, as our Group primarily relies on self-produced copyrights of our Group's own artists to fill these libraries and will continuously manage the rosters of content to promote its artists via these platforms' traffic while undertaking activities including but not limited to arranging various commercial events for the artists as well as external marketing efforts that will significantly impact these artists' popularity and the number of potential listeners of these artists' music, throughout the license period.

For (i), our Group charged its customers under fixed-payment basis and considered satisfying its performance obligation at a point in time when the licensed content is made available for the customers' use and benefit, typically upon the transfer of the licensed content to the customer.

For (ii), our Group charged its customers on a minimum guarantee plus revenue-sharing basis. Our Group is paid minimum fixed considerations annually throughout the license period and entitled to additional revenue each year based on certain key performance indicators (e.g. listening rates of the content in the libraries by paid-user of the online platform) which give rise to variable considerations. As our Group's performance obligations are satisfied over time over the license period, our Group would recognize the revenue of minimum fixed considerations over the license period and the revenue of usage-based variable considerations to the extent that it is highly probable that a significant reversal

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of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved, which is typically when our Group received the quarterly or semi-annual usage reports from the online platforms operators.

Since our Group has the ability to determine the pricing of the music licensing and negotiate the service terms, bears the relevant costs including the self-production costs of music content and costs of acquired music copyrights, and take responsibility for managing the licensed libraries, our Group is regarded as the principal and recognizes revenue from music licensing on a gross basis and recognizes production costs of music content and other applicable fulfillment costs as cost of revenue.

Pan-entertainment business

Our Group provides entertainment content services including sub-licensing of variety shows, sales of artist-related merchandise and provision of other services. The revenue from these services is recognized when the relevant services were provided.

Leases

Our Group leases certain offices and motor vehicles. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by our Group under residual value guarantees
- the exercise price of a purchase option if our Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects our Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate is used.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

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- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful lives and the lease terms on a straight-line basis. If our Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where our Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where our Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at historical costs less depreciation. Historical costs include expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	40 years
Furniture and office equipment	3-5 years
Computer equipment	3-5 years
Motor vehicles	5 years
Leasehold improvements	Shorter of estimated useful lives and remaining lease terms
Freehold land	Indefinite

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9 to Appendix I in this prospectus).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other (losses)/gains, net" in the consolidated statements of comprehensive income.

Financial Assets

Classification

We classify financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

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The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investments are held. For investments in equity instruments, this will depend on whether our Group has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income ("FVOCI").

We reclassify debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which our Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and our Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, our Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on our Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which our Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or

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loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in “other (losses)/gains, net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “other (losses)/gains, net” and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “other (losses)/gains, net” in the period in which it arises.

Equity instruments

Our Group subsequently measures all equity investments at fair value. Where our Group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognized in profit or loss as “other income” when our Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “other (losses)/gains, net” in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

Our Group has the following types of financial assets subject to IFRS 9’s expected credit loss model:

- Cash and cash equivalents
- Amounts due from shareholders
- Trade receivables
- Other receivables

While our Group’s cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were deposited in high quality financial and other institutions with sound credit ratings.

For amounts due from shareholders, our Group has assessed the expected credit losses of these balances and the identified impairment loss was immaterial.

For trade receivables, our Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Derecognition

Financial assets

Our Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, our Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) our Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If our Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, our Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when our Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Intangible Assets

Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line method over their estimated useful lives of 5 years.

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Music copyrights

Our Group acquired music copyrights for music contents licensed from third parties and these acquired copyrights are stated at costs less accumulated amortization and impairment. Their costs are expensed to our Group's consolidated statement of profit or loss, within "cost of revenue", based on the pattern of which their future economic benefit useful life are expected be consumed by our Group, being straight line over their license periods, being generally five to ten years. The Group considers the license periods of music copyrights as the best estimation for their useful lives as they primarily generate revenue from sub-licensing which is derived evenly throughout the period which their future economic benefit are expected to be consumed by the Group.

Movie rights

Movies under production are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of movies. Provisions are made for costs which are in excess of the expected future revenues generated by these movies. The balance of movie production costs not yet due at the end of each reporting period are disclosed as commitments.

Upon completion, costs of movies under production are transferred to movie rights of completed production, which are stated at cost less accumulated amortization and impairment losses. The cost of movie rights is expensed on first public exhibition.

Impairment of Non-Financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For our Group's software and music copyrights, we did not identify impairment indicators during the Track Record Period. Our movie right was related to a movie of which we were the lead investor. We had performed impairment assessment for this movie right when it was still under production as of January 1, 2019 and no impairment loss was recognized. The production of this movie was completed in 2019 and it was publicly released in the same year. Accordingly, the related movie right was fully amortized in 2019. We did not acquire any new movie right after the end of this movie's public exhibition period.

Fair Value Estimation

To provide an indication about the reliability of the inputs used in determining fair value, our Group has classified our financial instruments into the three levels prescribed under the accounting standards:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

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- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

Our Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of our Group's level 3 instruments.

The valuation of our level 3 instruments mainly included financial assets being investments in wealth management products, investments in movies, drama series and variety programs, and investments in unlisted equity securities and convertible preferred shares. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model, market approach and etc.

The investments in wealth management products mainly represent the investments in wealth management products issued by the banks in the PRC with guaranteed principal and floating return rate of investments. Our Group used discounted cash flows approach to determine the fair value of the financial product as at period end.

Our Group used discounted cash flows approach to evaluate the fair value of the investments in movies, drama series and variety programs as at each period end.

The unlisted investments represent the investments in certain privately owned companies. Our Group used discounted cash flows approach to evaluate the fair value of the unlisted investments as at each period end. Also, the additional investments made during the four months ended April 30, 2022 were close to April 30, 2022 and therefore, our management is of the view that there are no material changes in fair value of the unlisted investments during the four months ended April 30, 2022, unless there is available information about latest round of financing.

If the fair values of financial assets at FVPL held by our Group had been 10% higher or lower, the profit before income tax for the years ended December 31, 2019, 2020 and 2021 and for the four months ended April 30, 2021 and 2022 would have been approximately RMB8.0 million, RMB21.6 million, RMB45.1 million, RMB61.3 million and RMB31.5 million higher or lower, respectively.

If the fair values of financial liabilities at FVPL held by our Group had been 10% higher or lower, the profit for the four months ended April 30, 2022 would have been approximately RMB244.1 million lower or higher.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

The carrying amount of our Group's other financial assets, including cash and cash equivalents, trade receivables, other receivables, and our Group's financial liabilities, including trade payables, other payables and accruals and lease liabilities, approximate their fair values.

See Note 3.3 to the Appendix I in this prospectus for details about fair value estimation.

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KEY COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets forth selected items of consolidated statements of comprehensive income for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Revenue	631,436	922,042	1,290,449	341,290	352,899
Cost of revenue	(351,932)	(429,060)	(688,490)	(162,299)	(197,158)
Gross profit	279,504	492,982	601,959	178,991	155,741
Selling and marketing expenses	(23,359)	(30,823)	(34,523)	(7,788)	(9,660)
General and administrative expenses	(39,406)	(44,081)	(71,530)	(13,059)	(31,300)
Net impairment losses on financial assets	(1,374)	(8,954)	(3,296)	(128)	(2,216)
Other income	3,778	7,303	18,420	1,255	1,242
Other (losses)/gains, net	(39,996)	(18,522)	(5,889)	3,665	7,937
Operating profit	179,147	397,905	505,141	162,936	121,744
Finance income	1,222	3,693	5,215	663	1,214
Finance costs	(1,921)	(6,366)	(42,749)	(13,891)	(4,119)
Finance costs, net	(699)	(2,673)	(37,534)	(13,228)	(2,905)
Share of losses of investments accounted for using the equity method	(9,217)	(2,697)	(6,568)	(2,202)	(1,096)
Fair value changes of convertible preferred shares ...	—	—	—	—	(6,843)
Profit before income tax	169,231	392,535	461,039	147,506	110,900
Income tax expense	(49,898)	(100,589)	(125,707)	(36,773)	(30,380)
Profit for the year/period	119,333	291,946	335,332	110,733	80,520
Profit attributable to:					
Owners of our Company	119,023	291,370	336,684	110,406	80,301
Non-controlling interests	310	576	(1,352)	327	219
	<u>119,333</u>	<u>291,946</u>	<u>335,332</u>	<u>110,733</u>	<u>80,520</u>

Non-IFRS Measures

To supplement our consolidated financial statements which are presented under IFRS, we also use adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of certain items. We believe that such measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit as profit for the year/period adjusted for (i) equity settled share-based payments, (ii) fair value changes of convertible preferred shares, (iii) listing expenses and (iv) interest expenses on redemption liabilities. Equity settled share-based payments consist of non-

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cash expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan. Fair value changes of convertible preferred shares reflects the changes in fair value of the Series A-1, A-2 and A-3 convertible preferred shares issued by our Company to certain shareholders on January 28, 2022. For details, see “History, Reorganization and Corporate Structure—Reorganization.” Listing expenses mainly include professional fees paid in relation to the Listing and the Global Offering. Interest expenses on redemption liabilities mainly refer to unwinding of interests on redemption liabilities in relation to the preferential rights certain shareholders of Yuehua Limited are entitled to pursuant to a shareholders’ agreement dated November 16, 2020. For more details, see “History, Reorganization and Corporate Structure—Pre-IPO Investments.” We define adjusted net profit margin as adjusted net profit divided by revenue. The table below sets forth our adjusted net profit and adjusted net profit margin for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands, except for percentages)				
	(Unaudited)				
Profit for the year/period	<u>119,333</u>	<u>291,946</u>	<u>335,332</u>	<u>110,733</u>	<u>80,520</u>
Adjusted for:					
Equity settled share-based payments	—	—	2,068	—	29,119
Fair value changes of convertible preferred shares	—	—	—	—	6,843
Listing expenses	—	—	16,690	—	7,802
Interest expenses on redemption liabilities	—	<u>3,909</u>	<u>40,481</u>	<u>13,112</u>	<u>3,406</u>
Non-IFRS measures:					
Adjusted net profit	<u>119,333</u>	<u>295,855</u>	<u>394,571</u>	<u>123,845</u>	<u>127,690</u>
Adjusted net profit margin	<u>18.9%</u>	<u>32.1%</u>	<u>30.6%</u>	<u>36.3%</u>	<u>36.2%</u>

Revenue

During the Track Record Period, we generated our revenue from artist management, music IP production and operation and pan-entertainment business. We generated a majority of our revenue from customers in the PRC. In 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, we recorded revenue of RMB631.4 million, RMB922.0 million, RMB1,290.4 million, RMB341.3 million and RMB352.9 million, respectively.

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The table below sets forth a breakdown of our revenue by business line in absolute amounts and as percentages of our revenue for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
	(RMB in thousands, except for percentages) (Unaudited)									
Artist management . . .	530,228	84.0%	808,241	87.7%	1,174,842	91.0%	307,856	90.2%	316,690	89.8%
Music IP production and operation	74,734	11.8%	92,719	10.0%	77,738	6.1%	26,056	7.6%	26,239	7.4%
Pan-entertainment business	26,474	4.2%	21,082	2.3%	37,869	2.9%	7,378	2.2%	9,970	2.8%
Total	631,436	100.0%	922,042	100.0%	1,290,449	100.0%	341,290	100.0%	352,899	100.0%

Revenue by Business Line

Artist Management

For artist management business, we primarily generate revenue from providing services to customers, including corporate customers, media platforms, content producers and advertising agencies, by arranging our managed artists to (i) participate in commercial activities, such as endorsement deals, business promotion activities and other commercial activities, and (ii) provide entertainment content services such as performing in movies, drama series and variety programs. For more details about this business model, see “Business—Our Business—Artist Management.”

The table below sets forth a breakdown of our revenue generated from artist management business in absolute amounts and as percentages of our revenue generated from artist management business for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages) (Unaudited)									
Commercial activities	317,141	59.8%	554,494	68.6%	921,798	78.5%	243,075	79.0%	254,676	80.4%
Entertainment content services	213,087	40.2%	253,747	31.4%	253,044	21.5%	64,781	21.0%	62,014	19.6%
Total	530,228	100.0%	808,241	100.0%	1,174,842	100.0%	307,856	100.0%	316,690	100.0%

Music IP Production and Operation

During the Track Record Period, our revenue generated from music IP production and operation business consists primarily of (i) licensing fees and royalties generated from licensing our original music IPs to music service providers, (ii) licensing fees from sub-licensing our licensed music IPs to music service providers, and (iii) sales of digital and physical copies of our music IPs.

For music IP production and operation business, we generated revenue of RMB74.7 million, RMB92.7 million, RMB77.7 million, RMB26.1 million and RMB26.2 million in 2019, 2020 and 2021

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and the four months ended April 30, 2021 and 2022, respectively, accounting for 11.8%, 10.0%, 6.1%, 7.6% and 7.4% of our total revenues for the same periods, respectively.

Pan-entertainment Business

During the Track Record Period, our revenue generated from pan-entertainment business consists primarily of revenue generated from (i) commercial development of virtual artists, (ii) variety program format licensing and (iii) sales of artist-related merchandise.

For pan-entertainment business, we generated revenue of RMB26.5 million, RMB21.1 million, RMB37.9 million, RMB7.4 million and RMB10.0 million in 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, respectively, accounting for 4.2%, 2.3%, 2.9%, 2.2% and 2.8% of our total revenue for the same periods, respectively. During the Track Record Period, our revenue from the virtual artist business is nil, nil, RMB13.2 million and RMB4.8 million in 2019, 2020, 2021 and the four months ended April 30, 2022, accounting for nil, nil, 1.0% and 1.4% of our total revenue for the same periods, mainly generated from live streaming events and other commercial activities of virtual artists.

Revenue by Geographical Region of Customers

We generated substantially all of our revenue in the PRC during the Track Record Period. The following table sets out a breakdown of our revenue by geographical region of our customers both in absolute terms and as a percentage of our revenue for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
(RMB in thousands, except for percentages)										
(Unaudited)										
China	621,734	98.5%	885,559	96.0%	1,245,437	96.5%	327,301	95.9%	328,291	93.0%
Overseas ⁽¹⁾	9,702	1.5%	36,483	4.0%	45,012	3.5%	13,989	4.1%	24,608	7.0%
Total	631,436	100.0%	922,042	100.0%	1,290,449	100.0%	341,290	100.0%	352,899	100.0%

Note:

(1) Including Korea, Hong Kong, Japan, Malaysia, Indonesia, Thailand, the United States, Mexico and Singapore.

Cost of Revenue

Our cost of revenue consists primarily of (i) revenue sharing for artist management business, (ii) artist promotion costs, (iii) production costs of music content, (iv) employee benefits expenses, (v) amortization of intangible assets and (vi) equity settled share-based payments. In 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, our cost of revenue was RMB351.9 million, RMB429.1 million, RMB688.5 million, RMB162.3 million and RMB197.2 million, respectively.

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The table below sets forth a breakdown of our cost of revenue by nature in absolute amounts and as percentages of our cost of revenue.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages) (Unaudited)									
Revenue sharing for artist management business . . .	240,774	68.4%	318,653	74.3%	529,193	76.8%	132,896	81.9%	148,833	75.5%
Artist promotion costs	34,091	9.7%	43,890	10.2%	73,436	10.7%	11,371	7.0%	9,764	5.0%
Production costs of music content	27,002	7.7%	41,608	9.7%	45,737	6.6%	7,682	4.7%	12,043	6.1%
Employee benefits expenses	7,643	2.2%	10,900	2.5%	20,607	3.0%	4,604	2.8%	6,863	3.5%
Amortization of intangible assets ⁽¹⁾	32,344	9.1%	1,821	0.4%	1,821	0.3%	606	0.4%	606	0.3%
Equity settled share-based payments ⁽²⁾	—	—	—	—	107	0.0%	—	—	15,385	7.8%
Others ⁽³⁾	10,078	2.9%	12,188	2.9%	17,589	2.6%	5,140	3.2%	3,664	1.8%
Total	351,932	100.0%	429,060	100.0%	688,490	100.0%	162,299	100.0%	197,158	100.0%

Notes:

- (1) Consisting primarily of (i) amortization of production expenses in relation to a movie we produced and (ii) amortization of music IP procurement expenses.
- (2) Consisting primarily of expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan.
- (3) Consisting primarily of (i) expenses for training our trainees, (ii) travel and car rental expenses for artists and assistants to participate in various commercial activities and (iii) costs for sales of artist-related merchandise on third-party e-commerce platforms.

Revenue sharing for artist management business consists primarily of payments to (i) our managed artists who participate in commercial activities and provide entertainment content services, and (ii) media platforms which jointly manage certain artists with us during a specified term. Artist promotion costs consist primarily of (i) expenses for make-up, hairstyle and dressing for our managed artists engaged in business activities, and (ii) expenses for promoting artists engaged in commercial activities by news, short videos, online forums, web pages as well as other promotional methods. Employee benefits expenses consist primarily of salaries and benefits for our employees in artist operation team and artist training team.

Cost of Revenue by Business Line

The table below sets forth a breakdown of our cost of revenue by business line in absolute amounts and as percentages of our cost of revenue by business line.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages) (Unaudited)									
Artist management . . .	287,599	81.7%	383,754	89.4%	634,249	92.1%	152,354	93.9%	182,258	92.4%
Music IP production and operation	25,253	7.2%	36,139	8.5%	45,792	6.7%	7,742	4.8%	12,224	6.2%
Pan-entertainment business	39,080	11.1%	9,167	2.1%	8,449	1.2%	2,203	1.3%	2,676	1.4%
Total	351,932	100.0%	429,060	100.0%	688,490	100.0%	162,299	100.0%	197,158	100.0%

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Gross Profit and Gross Profit Margin

In 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, our gross profit was RMB279.5 million, RMB493.0 million, RMB602.0 million, RMB179.0 million and RMB155.7 million, respectively, and our gross profit margin was approximately 44.3%, 53.5%, 46.6%, 52.4% and 44.1%, respectively.

The table below sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages) (Unaudited)									
Artist management	242,629	45.8%	424,487	52.5%	540,593	46.0%	155,502	50.5%	134,432	42.4%
Music IP production and operation	49,481	66.2%	56,580	61.0%	31,946	41.1%	18,314	70.3%	14,015	53.4%
Pan-entertainment business	(12,606)	(47.6%)	11,915	56.5%	29,420	77.7%	5,175	70.1%	7,294	73.2%
Total/Overall	279,504	44.3%	492,982	53.5%	601,959	46.6%	178,991	52.4%	155,741	44.1%

For detailed discussions of our gross profit and gross profit margin, see “—Period to Period Comparison of Results of Operations.”

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of (i) employee benefits expenses, including salaries and benefits for sales and marketing personnel, (ii) advertising and promotion expenses mainly in relation to general marketing and promotion of our managed artists, (iii) rental expenses, (iv) traveling expenses and (v) equity settled share-based payments.

The table below sets forth a breakdown of our selling and marketing expenses in absolute amounts and as percentages of our selling and marketing expenses for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages) (Unaudited)									
Employee benefits expenses	16,904	72.4%	20,008	64.9%	22,633	65.6%	5,744	73.8%	5,337	55.2%
Advertising and promotion expenses	3,620	15.5%	7,937	25.8%	6,237	18.1%	1,263	16.2%	769	8.0%
Rental expenses	402	1.7%	939	3.0%	1,087	3.1%	209	2.7%	221	2.3%
Traveling expenses	536	2.3%	219	0.7%	212	0.6%	19	0.2%	99	1.0%
Equity settled share-based payments ⁽¹⁾	—	—	—	—	1,706	4.9%	—	—	1,963	20.3%
Others ⁽²⁾	1,897	8.1%	1,720	5.6%	2,648	7.7%	553	7.1%	1,271	13.2%
Total	23,359	100.0%	30,823	100.0%	34,523	100.0%	7,788	100.0%	9,660	100.0%

Notes:

- (1) Consisting primarily of expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan.
- (2) Consisting primarily of depreciation of property, plant and equipment and expenses for office supplies.

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General and Administrative Expenses

Our general and administrative expenses consist primarily of (i) employee benefits expenses, including salaries and benefits, (ii) listing expenses incurred for the Listing, (iii) depreciation and amortization in connection with our office leases, an office building in Korea and intangible assets, (iv) taxes and surcharges, (v) professional and consulting fees, (vi) traveling expenses and (vii) equity settled share-based payments.

The table below sets forth a breakdown of our general and administrative expenses in absolute amounts and as percentages of our general and administrative expenses for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages) (Unaudited)									
Employee benefits expenses	19,556	49.6%	17,940	40.7%	24,579	34.4%	5,008	38.3%	5,202	16.6%
Listing expenses	—	—	—	—	16,690	23.3%	—	—	7,802	24.9%
Depreciation and amortization	7,516	19.1%	7,875	17.9%	9,252	12.9%	3,261	25.0%	2,461	7.9%
Taxes and surcharges	4,174	10.6%	4,938	11.2%	6,543	9.1%	1,619	12.4%	737	2.4%
Professional and consulting fees ⁽¹⁾	3,189	8.1%	6,286	14.3%	2,583	3.6%	1,271	9.7%	1,583	5.1%
Traveling expenses	764	1.9%	368	0.8%	445	0.6%	98	0.8%	404	1.3%
Equity settled share-based payments ⁽²⁾	—	—	—	—	255	0.4%	—	—	11,771	37.6%
Others ⁽³⁾	4,207	10.7%	6,674	15.1%	11,183	15.7%	1,802	13.8%	1,340	4.2%
Total	39,406	100.0%	44,081	100.0%	71,530	100.0%	13,059	100.0%	31,300	100.0%

Notes:

- (1) Consisting primarily of service fees for business, legal, tax and other consultants in connection with our business operations and A Share Listing Attempt. For details about our A Share Listing Attempt, see “History, Reorganization and Corporate Structure—Listing on and Delisting from NEEQ and A Share Listing Attempt.”
- (2) Consisting primarily of expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan.
- (3) Consisting primarily of rental expenses for short-term leases, office supplies and other miscellaneous expenses.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets are primarily related to the credit risk of our trade receivables and other receivables. In 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, our net impairment losses on financial assets amounted to RMB1.4 million, RMB9.0 million, RMB3.3 million, RMB0.1 million and RMB2.2 million, respectively.

Other Income

Our other income consists of (i) government subsidies, (ii) tax credit of input tax additional deduction and (iii) rental income from investment properties. The government subsidies are non-recurring in nature and are mainly related to the rewards granted by China-Singapore Tianjin Eco-City Administrative Committee for tax contribution from our Group to the local economic development in Tianjin Eco-City. We are entitled to such subsidies every year during the period from September 1, 2016 to December 31, 2027, subject to the satisfaction of certain conditions set forth in our agreement with China-Singapore Tianjin Eco-City Administrative Committee, such as (i) having certain percentage of equity interest in enterprises with business and tax registrations with the Tianjin Eco-

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City, and (ii) compliance with relevant government policies and regulations. There were no unfulfilled conditions or contingencies attached to these government grants during the Track Record Period. The tax credit of input tax additional deduction is a kind of exemptions on value-added tax granted by PRC government authorities as tax benefits applicable to certain subsidiaries of us. The rental income from investment properties is generated from rents we collect from leases of our office building in Korea which we purchased in September 2019. In 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, our other income was RMB3.8 million, RMB7.3 million, RMB18.4 million, RMB1.3 million and RMB1.2 million, respectively.

The table below sets forth a breakdown of our other income for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Government subsidies	2,825	4,699	14,281	–	14
Tax credit of input tax additional deduction	760	2,007	3,519	1,048	1,040
Rental income from investment properties	193	597	620	207	188
Total	<u>3,778</u>	<u>7,303</u>	<u>18,420</u>	<u>1,255</u>	<u>1,242</u>

Other Gains or Losses, Net

Our other gains or losses primarily comprise (i) fair value losses on movies, drama series and variety programs, (ii) fair value gains from wealth management products, (iii) gain on deemed disposal of an associate in relation to the financing activities of an associate, (iv) gains on disposal of associates in relation to sale of our equity interest in associates, (v) net exchange gains or losses and (vi) fair value gains from a listed equity security. Our net other losses were RMB40.0 million, RMB18.5 million and RMB5.9 million in 2019, 2020 and 2021, respectively. Our net other gains were RMB3.7 million and RMB7.9 million in the four months ended April 30, 2021 and 2022, respectively.

The table below sets forth a breakdown of our other gains or losses, net for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Fair value losses on movies, drama series and variety programs	(54,907)	(31,736)	(33,659)	(4,236)	–
Fair value gains from wealth management products	12,147	14,019	20,894	6,414	3,581
Gain on deemed disposal of an associate	–	–	3,011	–	–
Gains on disposal of associates	–	–	2,068	1,347	–
Net exchange gains/(losses)	36	(976)	1,556	(112)	1,636
Gain on liquidation of a subsidiary	–	–	218	218	–
Net (losses)/gains on disposal of property, plant and equipment	(115)	171	41	42	–
Net gains/(losses) on disposal of right-of-use assets	2,843	–	(18)	(8)	4
Fair value gains from a listed equity security	–	–	–	–	2,716
Total	<u>(39,996)</u>	<u>(18,522)</u>	<u>(5,889)</u>	<u>3,665</u>	<u>7,937</u>

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Finance Costs, Net

Our finance income consists of interest income from bank deposits and loans to third parties and a related party, while our finance costs comprise interest expenses on redemption liabilities, bank borrowings and lease liabilities. Our net finance costs amounted to RMB0.7 million, RMB2.7 million, RMB37.5 million, RMB13.2 million and RMB2.9 million in 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, respectively.

The table below sets forth a breakdown of our finance income and costs for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Finance income					
Interest income from bank deposits	1,222	3,150	4,455	430	940
Interest income from loans to third parties and a related party	—	543	760	233	274
Subtotal	<u>1,222</u>	<u>3,693</u>	<u>5,215</u>	<u>663</u>	<u>1,214</u>
Finance costs					
Interest expenses on redemption liabilities	—	(3,909)	(40,481)	(13,112)	(3,406)
Interest expenses on bank borrowings	(539)	(2,037)	(1,853)	(636)	(575)
Interest expenses on lease liabilities	(1,382)	(420)	(415)	(143)	(138)
Subtotal	<u>(1,921)</u>	<u>(6,366)</u>	<u>(42,749)</u>	<u>(13,891)</u>	<u>(4,119)</u>
Finance costs, net	<u>(699)</u>	<u>(2,673)</u>	<u>(37,534)</u>	<u>(13,228)</u>	<u>(2,905)</u>

Interest expenses on redemption liabilities refer to unwinding of interests on redemption liabilities in relation to the preferential rights certain shareholders of Yuehua Limited are entitled to pursuant to a shareholders' agreement dated November 16, 2020. For details about shareholders' preferential rights, see "History, Reorganization and Corporate Structure—Pre-IPO Investments."

Share of Losses of Investment Accounted for Using the Equity Method

Our share of losses of investment accounted for using the equity method is primarily related to our equity investment in our associates. As of April 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, "Zhejiang Shengtenghui"), (ii) Starsugar (Beijing) Technology Co., Ltd. (思蓬抒格(北京)科技有限公司, "Starsugar"), (iii) Hangzhou Agile Groups Network Technology Co., Ltd. (杭州小群網絡科技有限公司, "Hangzhou Agile") and (iv) Candy (Shanghai) Cosmetics Co., Ltd. (糖果(上海)化妝品有限公司, "Candy Cosmetics"). For details, see Note 19 to the Accountant's Report in Appendix I to this prospectus. Our share of losses of investment accounted for using the equity method in 2019, 2020, 2021 and the four months ended April 30, 2021 and 2022 amounted to RMB9.2 million, RMB2.7 million, RMB6.6 million, RMB2.2 million and RMB1.1 million, respectively.

Fair Value Changes of Convertible Preferred Shares

The fair value changes of convertible preferred shares are primarily related to Series A-1, A-2 and A-3 convertible preferred shares issued by our Company to certain shareholders on January 28,

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2022. For details, see “History, Reorganization and Corporate Structure—Reorganization.” In the four months ended April 30, 2022, the fair value changes of convertible preferred shares amounted to RMB6.8 million.

Income Tax Expense

Our income tax expense consists of current income tax and deferred income tax. The table below sets forth a breakdown of our income tax expense for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Current income tax					
PRC corporate income tax	44,888	98,282	122,744	35,868	29,621
Hong Kong profits tax	859	510	1,012	419	790
Korea corporate income tax	4,328	3,440	2,295	671	568
Deferred income tax	(177)	(1,643)	(344)	(185)	(599)
Total income tax expense for the year/period	49,898	100,589	125,707	36,773	30,380

Our income tax expense was RMB49.9 million, RMB100.6 million, RMB125.7 million, RMB36.8 million and RMB30.4 million in 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022, respectively. Our effective tax rate was approximately 29.5%, 25.6%, 27.3%, 24.9% and 27.4% for the same periods, respectively. During the Track Record Period, our effective tax rate was higher than 25%, the general PRC corporate income tax rate, primarily because (i) one of our subsidiaries entitled to corporate income tax exemption recorded operating losses during the Track Record Period, and (ii) we recorded share of losses from our equity investment in associates, which reduce our profit before income tax expense but are not deductible for tax purpose.

TAXATION

Cayman Islands

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. As such, the operating results reported by our Company is not subject to any Cayman Islands income tax.

PRC Corporate Income Tax

Corporate income tax provision was made on the estimated assessable profits of entities within our Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC corporate income tax rate is 25% during the Track Record Period.

As stipulated in the Notice of the Ministry of Finance and the State Administration of Taxation of the PRC on the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgos in Xinjiang (Cai Shui [2011] No. 112) (財政部國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知 (財稅[2011] 112號)), enterprises newly established in Horgos special economic areas during the periods from January 1, 2010 to

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December 31, 2020 could enjoy corporate income tax (“CIT”) exemption for five years starting from the year in which the first revenue was generated. According to the Filing Record of Preferential EIT (企業所得稅優惠事項備案表), Horgos Yuehua, a subsidiary established in Horgos special economic areas, obtained the approval from the PRC tax bureau for entitlement to CIT exemption from January 1, 2016 to December 31, 2020.

As stipulated in the Notice of the People’s Government of the Tibet Autonomous Region on Issuing the Regulations on Preferential Policies for Investment Promotion of the Tibet Autonomous Region (Provisional) (Zang Zheng Fa [2018] No. 25) (關於印發西藏自治區招商引資優惠政策若干規定(試行)的通知(藏政發[2018]25號)), the Notice of the People’s Government of the Tibet Autonomous Region on Issuing the Regulations on Preferential Policies for Investment Promotion of the Tibet Autonomous Region (Zang Zheng Fa [2021] No. 9) (關於印發西藏自治區招商引資優惠政策若干規定的通知(藏政發[2021]9號)) and the Notice of the People’s Government of the Tibet Autonomous Region on Issuing the Measures for the Implementation of Enterprise Income Tax Policies of the Tibet Autonomous Region (Provisional) (Zang Zheng Fa [2022] No. 11) (關於印發西藏自治區企業所得稅政策實施辦法(暫行)的通知(藏政發[2022]11號)), enterprises established in Tibet that fulfilled certain criteria could enjoy overall preferential CIT rate of 9% during the periods from January 1, 2018 to December 31, 2025. Our subsidiary established in Tibet, Tibet Yuehua, was entitled to such corporate income tax benefit from January 1, 2018 to April 30, 2022, and will continue to be subject to such CIT benefit if it continues to meet certain criteria set forth in Zang Zheng Fa [2022] No. 11.

Korea Corporate Income Tax

Korea corporate income tax has been provided at the rates of 11% on the first KRW200,000,000 (equivalent to approximately RMB1,186,000, RMB1,173,000, RMB1,124,000 and RMB1,050,000 during the Track Record Period) of the tax base, 22% up to KRW20,000,000,000 (equivalent to approximately RMB118,589,000, RMB117,266,000, RMB112,372,000 and RMB105,027,000 during the Track Record Period), 24.2% for amounts up to KRW300,000,000,000 (equivalent to approximately RMB1,778,832,000, RMB1,758,989,000, RMB1,685,583,000 and RMB1,575,403,000 during the Track Record Period) and 27.5% over KRW300,000,000,000 (equivalent to approximately RMB1,778,832,000, RMB1,758,989,000, RMB1,685,583,000 and RMB1,575,403,000 during the Track Record Period) on the estimated assessable profits of our Group’s operations in Korea during the Track Record Period.

Hong Kong

Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profits up to HK\$2,000,000; and 16.5% on any part of the estimated assessable profits over HK\$2,000,000 during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2022 Compared to Four Months Ended April 30, 2021

Revenue

Our revenue increased by 3.4% from RMB341.3 million in the four months ended April 30, 2021 to RMB352.9 million in the four months ended April 30, 2022, primarily due to an increase in revenue generated from our artist management business.

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Artist management

Our revenue generated from artist management business increased by 2.9% from RMB307.9 million in the four months ended April 30, 2021 to RMB316.7 million in the four months ended April 30, 2022.

- *Commercial activities.* Revenue generated from commercial activities increased by 4.8% from RMB243.1 million in the four months ended April 30, 2021 to RMB254.7 million in the four months ended April 30, 2022. The number of commercial activities generating revenue decreased from approximately 250 in the four months ended April 30, 2021 to approximately 230 in the four months ended April 30, 2022. However, due to the increasing popularity, influence and commercial value of our managed artists, the average contract price of the commercial activities generating revenue in the four months ended April 30, 2022 was higher than that in the four months ended April 30, 2021, leading to an increase in revenue generated from commercial activities.
- *Entertainment content services.* Revenue generated from entertainment content services slightly decreased by 4.3% from RMB64.8 million in the four months ended April 30, 2021 to RMB62.0 million in the four months ended April 30, 2022, primarily due to a decrease in the number of contracts generating revenue from entertainment content services from 42 in the four months ended April 30, 2021 to 37 in the four months ended April 30, 2022.

Music IP production and operation

Our revenue generated from music IP production and operation was RMB26.2 million in the four months ended April 30, 2022, which remained stable as compared to RMB26.1 million in the four months ended April 30, 2021.

Pan-entertainment business

Our revenue generated from pan-entertainment business increased by 35.1% from RMB7.4 million in the four months ended April 30, 2021 to RMB10.0 million in the four months ended April 30, 2022, primarily due to an increase in revenue generated from the virtual artist group, A-SOUL.

Cost of Revenue

Our cost of revenue increased by 21.5% from RMB162.3 million in the four months ended April 30, 2021 to RMB197.2 million in the four months ended April 30, 2022, primarily attributable to (i) an increase in revenue sharing for artist management business from RMB132.9 million in the four months ended April 30, 2021 to RMB148.8 million in the four months ended April 30, 2022, primarily as a result of our growing artist management business and the higher revenue sharing ratio of certain established artists in the four months ended April 30, 2022; and (ii) equity settled share-based payments of RMB15.4 million newly incurred in the four months ended April 30, 2022, in relation to the grant of RSUs to eligible individuals under our Share Incentive Plan.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 13.0% from RMB179.0 million in the four months ended April 30, 2021 to RMB155.7 million in the four months ended April 30, 2022, primarily due to a

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decrease in gross profit for artist management. Our gross profit margin decreased from 52.4% in the four months ended April 30, 2021 to 44.1% in the four months ended April 30, 2022, as increase in cost of revenue outpaced the increase in revenue. More specifically:

Our gross profit for artist management decreased by 13.6% from RMB155.5 million in the four months ended April 30, 2021 to RMB134.4 million in the four months ended April 30, 2022. The gross profit margin for artist management decreased from 50.5% in the four months ended April 30, 2021 to 42.4% in the four months ended April 30, 2022, primarily because (i) certain established artists enjoyed a higher revenue sharing ratio pursuant to their contracts with us and hence revenue sharing for artist management business increased at a faster pace in the four months ended April 30, 2022; and (ii) equity settled share-based payments newly incurred in the four months ended April 30, 2022

Our gross profit for music IP production and operation decreased by 23.5% from RMB18.3 million in the four months ended April 30, 2021 to RMB14.0 million in the four months ended April 30, 2022. The gross profit margin for music IP production and operation decreased from 70.3% in the four months ended April 30, 2021 to 53.4% in the four months ended April 30, 2022, primarily due to an increase in the cost we incurred in production of musical works as we produced new digital albums for a managed artist and the new artist group, TEMPEST, who debuted in March 2022, while revenue generated from music IP production and operation remained stable.

Our gross profit for pan-entertainment business increased by 40.4% from RMB5.2 million in the four months ended April 30, 2021 to RMB7.3 million in the four months ended April 30, 2022. The gross profit margin for our pan-entertainment business increased from 70.1% in the four months ended April 30, 2021 to 73.2% in the four months ended April 30, 2022, primarily due to an increase in revenue generated from virtual artists, which has a relatively higher gross profit margin as our cost for virtual artists was relatively low, leading to an overall higher gross profit margin.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 24.4% from RMB7.8 million in the four months ended April 30, 2021 to RMB9.7 million in the four months ended April 30, 2022, primarily due to equity settled share-based payments of RMB2.0 million incurred in the four months ended April 30, 2022, in relation to the grant of RSUs to eligible selling and marketing staff under our Share Incentive Plan.

General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB13.1 million in the four months ended April 30, 2021 to RMB31.3 million in the four months ended April 30, 2022, primarily due to (i) equity settled share-based payments of RMB11.8 million incurred in the four months ended April 30, 2022, in relation to the grant of RSUs to eligible general and administrative staff under our Share Incentive Plan; and (ii) the newly incurred listing expenses of RMB7.8 million in the four months ended April 30, 2022, in relation to the fees paid to professional parties engaged for the Listing.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased significantly from RMB0.1 million in the four months ended April 30, 2021 to RMB2.2 million in the four months ended April 30, 2022,

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primarily due to an increase in the amounts of trade receivables and other receivables as of April 30, 2022, as compared to such amounts as of December 31, 2021. For more information, see “—Discussion of Selected Items from the Consolidated Statements of Financial Position—Assets—Trade Receivables” and “—Discussion of Selected Items from the Consolidated Statements of Financial Position—Assets—Prepayments and Other Receivables.”

Other Income

Our other income of RMB1.3 million remained comparable in the four months ended April 30, 2022 to that of RMB1.2 million in the four months ended April 30, 2021.

Other Gains, Net

Our net other gains increased substantially from RMB3.7 million in the four months ended April 30, 2021 to RMB7.9 million in the four months ended April 30, 2022, primarily due to (i) the net exchange gains of RMB1.6 million generated in the four months ended April 30, 2022, as compared to the net exchange losses of RMB0.1 million recorded in the four months ended April 30, 2021; (ii) fair value losses on movies, drama series and variety programs of RMB4.2 million incurred in the four months ended April 30, 2021 while no such losses were incurred in the four months ended April 30, 2022 as we dismantled the contractual arrangements in respect of Horgos Yuehua in March 2022.

Finance Costs, Net

Our net finance costs decreased substantially from RMB13.2 million in the four months ended April 30, 2021 to RMB2.9 million in the four months ended April 30, 2022, primarily due to a decrease in interest expenses on redemption liabilities, because the redemption liabilities were derecognized following the issuance of Series A-1, A-2 and A-3 convertible preferred shares by our Company to certain shareholders on January 28, 2022 and no interest expenses on redemption liabilities were incurred since then. For details, see “History, Reorganization and Corporate Structure—Reorganization” and “—Discussion of Selected Items from the Consolidated Statements of Financial Position—Liabilities—Redemption Liabilities.”

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method losses decreased by 50.0% from RMB2.2 million in the four months ended April 30, 2021 to RMB1.1 million in the four months ended April 30, 2022. The decrease was primarily because we did not record share of losses of investments accounted for using the equity method from Beijing Tianhao Shengshi Entertainment Culture Co., Ltd. (北京天浩盛世娛樂文化有限公司, “Beijing Tianhao”), a company in which we had investments accounted for using the equity method through Horgos Yuehua until the dismantlement of our contractual arrangements in respect of Horgos Yuehua in March 2022.

Fair Value Changes of Convertible Preferred Shares

We did not record fair value changes of convertible preferred shares in the four months ended April 30, 2021, but recorded fair value changes of convertible preferred shares of RMB6.8 million in the four months ended April 30, 2022, in relation to the issuance of Series A-1, A-2 and A-3 convertible preferred shares by our Company to certain shareholders on January 28, 2022. For details, see “History, Reorganization and Corporate Structure—Reorganization.”

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Income Tax Expense

Our income tax expense decreased by 17.4% from RMB36.8 million in the four months ended April 30, 2021 to RMB30.4 million in the four months ended April 30, 2022, primarily due to a decrease in our profit before income tax, as a result of the increases in our cost of revenue and expenses as mentioned above.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our net profit decreased by 27.3% from RMB110.7 million in the four months ended April 30, 2021 to RMB80.5 million in the four months ended April 30, 2022, and our net profit margin decreased from 32.4% in the four months ended April 30, 2021 to 22.8% in the four months ended April 30, 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 40.0% from RMB922.0 million in 2020 to RMB1,290.4 million in 2021, primarily due to an increase in revenue generated from our artist management business.

Artist management

Our revenue generated from artist management business increased by 45.4% from RMB808.2 million in 2020 to RMB1,174.8 million in 2021.

- *Commercial activities.* Revenue generated from commercial activities increased by 66.2% from RMB554.5 million in 2020 to RMB921.8 million in 2021. We secured more endorsement deals and business promotion activities in 2021 for our managed artists with well-known domestic or international brands across various industries and sectors, such as consumer and retail industries. The number of commercial activities generating revenue was approximately 510 in 2021, as compared to approximately 370 in 2020. Meanwhile, due to the increasing popularity, influence and commercial value of our managed artists, we renewed certain contracts with our customers of commercial activities at higher prices in 2021.
- *Entertainment content services.* Revenue generated from entertainment content services was RMB253.0 million in 2021, which remained stable as compared to RMB253.7 million in 2020, as the number of contracts generating revenue from entertainment content services remained comparable to that in 2020.

Music IP production and operation

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. This is primarily attributable to a decrease in revenue generated from sales of digital singles and albums, mainly because 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 significant decrease in the sales of our musical works. Meanwhile, there was a decrease in our revenue generated from a major music streaming platform in China in 2021 following the expiry of our exclusive licensing agreement with such platform in July 2021. We spent relatively longer time renegotiating terms in our agreement with such

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music streaming platform as relevant regulatory authorities in China issued a decision to require termination of exclusive music copyright licensing agreements in the market for anti-monopoly reasons, and entered into a new contract with such music streaming platform in December 2021. The decrease in our revenue generated from music IP production and operation was partially offset by the revenue generated from our licensing contract with another major music streaming platform in China entered into in the second half of 2021.

Pan-entertainment business

Our revenue generated from pan-entertainment business increased by 79.6% from RMB21.1 million in 2020 to RMB37.9 million in 2021, primarily due to revenue generated from the commercial development of the virtual artist group, A-SOUL, launched in the end of 2020.

Cost of Revenue

Our cost of revenue increased by 60.5% from RMB429.1 million in 2020 to RMB688.5 million in 2021, primarily attributable to:

- an increase in revenue sharing for artist management business from RMB318.7 million in 2020 to RMB529.2 million in 2021, primarily as a result of our growing artist management business and the higher revenue sharing ratio of certain established artists in 2021;
- an increase in artist promotion costs from RMB43.9 million in 2020 to RMB73.4 million in 2021, along with our growing artist management business;
- an increase in employee benefits expenses from RMB10.9 million in 2020 to RMB20.7 million in 2021, primarily due to an increase in salaries and benefits paid to our employees as well as the number of our employees who provide management services to our managed artists, primarily as a result of increasing revenue generated from our artist management business; and
- an increase in production cost of music content from RMB41.6 million in 2020 to RMB45.7 million in 2021, primarily due to the incremental production cost of musical works for a new artist group which debuted in 2021.

Gross Profit and Gross Profit Margin

Our gross profit increased by 22.1% from RMB493.0 million in 2020 to RMB602.0 million in 2021, primarily due to an increase in gross profit for artist management. Our gross profit margin decreased from 53.5% in 2020 to 46.6% in 2021, as increase in cost of revenue outpaced the increase in revenue. More specifically:

Our gross profit for artist management increased by 27.3% from RMB424.5 million in 2020 to RMB540.6 million in 2021. The gross profit margin for our artist management decreased from 52.5% in 2020 to 46.0% in 2021, primarily because certain established artists enjoyed a higher revenue sharing ratio in 2021 pursuant to their contracts with us and thus the revenue sharing for artist management business increased at a faster pace in 2021.

Our gross profit for music IP production and operation decreased by 43.6% from RMB56.6 million in 2020 to RMB31.9 million in 2021. The gross profit margin for our music IP

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production and operation business decreased from 61.0% in 2020 to 41.1% in 2021, primarily due to (i) a decrease in revenue generated from music IP production and operation and (ii) the cost we incurred in production of musical works for a new artist group in 2021 while no revenue was generated for such musical works in that year.

Our gross profit for pan-entertainment business increased significantly from RMB11.9 million in 2020 to RMB29.4 million in 2021. The gross profit margin for our pan-entertainment business increased from 56.5% in 2020 to 77.7% in 2021, primarily because we started to generate revenue from the commercial development of the virtual artist group, A-SOUL, launched in the end of 2020, which has a relatively higher gross profit margin as our cost of operating virtual artist group was relatively low, leading to an overall higher gross profit margin.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 12.0% from RMB30.8 million in 2020 to RMB34.5 million in 2021, primarily due to an increase in employee benefits expenses from RMB20.0 million in 2020 to RMB22.6 million in 2021, driven by the increase in employee salaries and benefits.

General and Administrative Expenses

Our general and administrative expenses increased by 62.1% from RMB44.1 million in 2020 to RMB71.5 million in 2021, primarily due to (i) listing expenses of RMB16.7 million newly incurred in 2021, in relation to the fees paid to professional parties engaged for the Listing; (ii) an increase from RMB17.9 million in 2020 to RMB24.6 million in 2021 in employee benefits expenses, driven by the increase in employee salaries and benefits as well as the growing number of our employees; (iii) an increase in depreciation and amortization from RMB7.9 million in 2020 to RMB9.3 million in 2021, primarily due to the procurement of new equipment and office supplies for our new office in Beijing.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased by 63.3% from RMB9.0 million in 2020 to RMB3.3 million in 2021, primarily because we made more impairment allowance in 2020 for trade receivables which had aged over three years. For more information, see “—Discussion of Selected Items from the Consolidated Statements of Financial Position—Assets—Trade Receivables.”

Other Income

Our other income increased significantly from RMB7.3 million in 2020 to RMB18.4 million in 2021, primarily due to an increase in government subsidies from RMB4.7 million in 2020 to RMB14.3 million in 2021, as we were rewarded for our greater contribution (in terms of tax paid) to the local economy in 2020.

Other Losses, Net

Our net other losses decreased by 68.1% from RMB18.5 million in 2020 to RMB5.9 million in 2021, primarily due to (i) an increase in the fair value gains from wealth management products from RMB14.0 million in 2020 to RMB20.9 million in 2021, as our investment in wealth management products increased from RMB194.4 million in 2020 to RMB446.3 million in 2021. For more details,

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see “—Discussion of Selected Items from the Consolidated Statements of Financial Position—Financial Assets at Fair Value Through Profit or Loss”; (ii) the gain on deemed disposal of an associate of RMB3.0 million incurred in 2021 in relation to the financing activities of an associate, Beijing Tianhao, (iii) the gains on disposal of associates of RMB2.1 million in 2021 as a result of the strategic restructuring of the associates, and (iv) the net exchange gains of RMB1.6 million generated in 2021, as compared to net exchange losses of RMB1.0 million incurred in 2020. For more details about our investment policies concerning wealth management products, see “—Discussion of Selected Items from the Consolidated Statements of Financial Position—Assets—Financial Assets at Fair Value Through Profit or Loss.”

Finance Costs, Net

Our net finance costs increased substantially from RMB2.7 million in 2020 to RMB37.5 million in 2021, primarily due to an increase in interest expenses on redemption liabilities from RMB3.9 million in 2020 to RMB40.5 million in 2021, in relation to the redemption liabilities we recorded for shareholders’ preferential rights pursuant to a shareholders’ agreement dated November 16, 2020. For details about shareholders’ preferential rights, see “History, Reorganization and Corporate Structure—Pre-IPO Investments.”

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method increased from RMB2.7 million in 2020 to RMB6.6 million in 2021, mainly because the associates we invested in were start-ups in their early stage and they recorded higher losses in 2021 than that in 2020.

Income Tax Expense

Our income tax expense increased by 25.0% from RMB100.6 million in 2020 to RMB125.7 million in 2021, primarily due to an increase in our taxable profit as a result of the continuous expansion of our business.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 14.9% from RMB291.9 million in 2020 to RMB335.3 million in 2021, while our net profit margin decreased from 31.7% in 2020 to 26.0% in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 46.0% from RMB631.4 million in 2019 to RMB922.0 million in 2020, primarily due to an increase in revenue generated from our artist management business and our music IP production and operation business.

Artist management

Our revenue generated from artist management business increased by 52.4% from RMB530.2 million in 2019 to RMB808.2 million in 2020.

- *Commercial activities.* Revenue generated from commercial activities increased by 74.9% from RMB317.1 million in 2019 to RMB554.5 million in 2020. In 2020, the popularity,

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influence and commercial value of our managed artists substantially increased and enabled us to seize more endorsement deals and business promotion activities for these managed artists. In 2020, the number of commercial activities generating revenue was approximately 370, across various industries and sectors such as automobile, consumer products and retail, as compared to approximately 300 in 2019. Moreover, our cooperation agreement with a media platform expired in 2020, pursuant to which such platform had the exclusive rights to manage certain artists during a specified term and shared revenue generated from such management with us. We resumed to manage such artists on an exclusive basis after the conclusion of this cooperation agreement and generated more revenue from management of these artists in 2020. For more details, see “Business—Our Business—Artist Management—Artist Operation.”

- *Entertainment content services.* Revenue generated from entertainment content services increased by 19.1% from RMB213.1 million in 2019 to RMB253.7 million in 2020. The number of contracts generating revenue from entertainment content services was approximately 130 in 2020, as compared to approximately 80 in 2019.

Music IP production and operation

Our revenue generated from music IP production and operation increased by 24.1% from RMB74.7 million in 2019 to RMB92.7 million in 2020, mainly attributable to an increase in sales of digital singles and albums in 2020 driven by increased popularity of our digital singles and albums.

Pan-entertainment business

Our revenue generated from pan-entertainment business decreased by 20.4% from RMB26.5 million in 2019 to RMB21.1 million in 2020, primarily because (i) we generated revenue in 2019 from a movie of which we were the lead investor while no such revenue was generated in 2020, as we strategically decided to focus more on our artist management and music IP production and operation businesses; and (ii) the revenue generated from artist-related IPs and merchandise decreased from 2019 to 2020. These were partially offset by an increase in the revenue generated from licensing the program format of a variety program.

Cost of Revenue

Our cost of revenue increased by 21.9% from RMB351.9 million in 2019 to RMB429.1 million in 2020, primarily driven by:

- an increase in revenue sharing for artist management business from RMB240.8 million in 2019 to RMB318.7 million in 2020, which is mainly due to an increase in our revenue generated from artist management business;
- an increase in artist promotion costs from RMB34.1 million in 2019 to RMB43.9 million in 2020, reflecting the expansion of our artist management business;
- an increase in production costs of music content from RMB27.0 million in 2019 to RMB41.6 million in 2020, primarily due to an increase in our investment in music IP production, as a result of the expansion of our music IP production and operation business; and

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- an increase in employee salaries and benefits from RMB7.6 million in 2019 to RMB10.9 million in 2020 primarily as a result of our measures to provide competitive compensation for our employees and incentives for our key personnel in artist management team.

These increases were partially offset by a decrease in cost related to amortization of intangible assets from RMB32.3 million in 2019 to RMB1.8 million in 2020 primarily due to the cost we recorded in 2019 for a movie we produced, while no such cost was incurred in 2020.

Gross Profit and Gross Profit Margin

Our gross profit increased by 76.4% from RMB279.5 million in 2019 to RMB493.0 million in 2020, primarily due to an increase in the gross profit from our artist management business and music IP production and operation business. Our gross profit margin increased from 44.3% in 2019 to 53.5% in 2020. More specifically:

Gross profit for our artist management business increased by 75.0% from RMB242.6 million in 2019 to RMB424.5 million in 2020. The gross profit margin for our artist management business increased from 45.8% in 2019 to 52.5% in 2020, primarily due to the increase in our revenue generated from artist management business which outpaced the increase in cost of revenue for artist management business. There was a substantial increase in the revenue generated from our artist management business from 2019 to 2020, driven by the enhanced popularity and commercial value of our managed artists. Meanwhile, our cooperation agreement with another media platform expired in the fourth quarter of 2019, pursuant to which this platform jointly managed certain artists with us and we shared revenue generated from our management of such artists with this platform. We resumed to manage such artists on an exclusive basis after the conclusion of this cooperation agreement and no longer needed to share revenue from management of such artists with this platform in 2020. For more details, see “Business—Our Business—Artist Management—Artist Operation.” Such decrease in revenue sharing for artist management business partially offset the increase in cost of revenue for artist management in 2020.

Gross profit for our music IP production and operation increased by 14.3% from RMB49.5 million in 2019 to RMB56.6 million in 2020. The gross profit margin for our music IP production and operation business decreased from 66.2% in 2019 to 61.0% in 2020. The decrease in gross profit margin is primarily due to (i) an increase in revenue generated from musical works produced by Yuehua Korea, which recorded relatively lower gross profit margin as compared to the gross profit margin from musical works produced in China, as music production cost in Korea is generally higher than that in China; and (ii) an increase in cost due to an increased number of digital singles and albums we produced, while some of the musical works we produced were published near the end of 2020 and thus generated a small amount of revenue for us in 2020.

We incurred a gross loss of RMB12.6 million in 2019 for the pan-entertainment business, primarily attributable to a movie distributed in 2019 of which we were the lead investor, revenue from which could not sufficiently cover the cost. We recognized a gross profit of RMB11.9 million for the pan-entertainment business in 2020, representing a gross profit margin of 56.5%, primarily because (i) we no longer participated as the lead investor in drama series and movie production, as part of our strategic decision to focus more on artist management and music IP production and operation businesses, and (ii) we generated more revenue from sub-licensing the program format of a variety program in 2020.

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Selling and Marketing Expenses

Our selling and marketing expenses increased by 31.6% from RMB23.4 million in 2019 to RMB30.8 million in 2020, primarily due to (i) an increase in advertising and promotion expenses from RMB3.6 million in 2019 to RMB7.9 million in 2020, as a result of our increased efforts in promoting our managed artists, and (ii) an increase in employee benefits expenses from RMB16.9 million in 2019 to RMB20.0 million in 2020 driven by the growing number of our selling and marketing staff.

General and Administrative Expenses

Our general and administrative expenses increased by 11.9% from RMB39.4 million in 2019 to RMB44.1 million in 2020, primarily due to (i) an increase in professional and consulting fees from RMB3.2 million in 2019 to RMB6.3 million in 2020, reflecting our increased demand for professional and consulting services in our daily operation, and (ii) an increase in others from RMB4.2 million in 2019 to RMB6.7 million in 2020, primarily reflecting an increase in our short-term leases and office expenses due to our increasing demand for working and training space.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased significantly from RMB1.4 million in 2019 to RMB9.0 million in 2020, primarily because we made more impairment allowance in 2020 for trade receivables which had aged over three years. For more information, see “—Discussion of Selected Items from the Consolidated Statements of Financial Position—Assets—Trade Receivables.”

Other Income

Our other income increased by 92.1% from RMB3.8 million in 2019 to RMB7.3 million in 2020, primarily due to (i) the increase of RMB1.9 million in government subsidies in relation to our contribution to the local economy and development, and (ii) the increase of RMB1.2 million in the tax credit of input tax additional deduction, along with our business growth.

Other Losses, Net

Our other losses decreased by 53.8% from RMB40.0 million in 2019 to RMB18.5 million in 2020, primarily due to (i) a decrease in the fair value losses on the movies, drama series and variety programs from RMB54.9 million in 2019 to RMB31.7 million in 2020, in relation to a decrease in our investments in movies, drama series and variety programs, as part of our strategic decision to focus more on artist management and music IP production and operation businesses. The number of movies, drama series and variety programs we invested in decreased from 12 as of December 31, 2019 to seven as of December 31, 2020; and (ii) an increase in fair value gains from wealth management products from RMB12.1 million in 2019 to RMB14.0 million in 2020, as a result of our increased investment in wealth management products in 2020. The decrease was partially offset by the decrease in the net gains on disposal of right-of-use assets, as we recognized net gains of RMB2.8 million on disposal of right-of-use assets in 2019, in relation to the early termination of our leasing contract with a landlord, while no such gain was recognized in 2020.

Finance Costs, Net

Our net finance costs increased substantially from RMB0.7 million in 2019 to RMB2.7 million in 2020, primarily due to an increase in interest expenses on redemption liabilities, in relation to the redemption liabilities we recorded for shareholders' preferential rights pursuant to a shareholders'

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agreement dated November 16, 2020. For details about shareholders' preferential rights, see "History, Reorganization and Corporate Structure—Pre-IPO Investments". Such increase was partially offset by an increase in our interest income from bank deposits.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method decreased by 70.7% from RMB9.2 million in 2019 to RMB2.7 million in 2020, primarily due to the better operation results and financial performance of the associates in which we have investments in 2020.

Income Tax Expense

Our income tax expense increased substantially from RMB49.9 million in 2019 to RMB100.6 million in 2020, primarily due to an expansion in our business with higher profits generated, which led to an increase in our taxable profit.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased significantly from RMB119.3 million in 2019 to RMB291.9 million in 2020. Our net profit margin increased from 18.9% in 2019 to 31.7% in 2020.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from the Accountant's Report included in Appendix I to this prospectus.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
ASSETS				
Non-Current Assets				
Property, plant and equipment	105,741	106,448	103,645	100,933
Right-of-use assets	12,108	16,683	12,221	10,811
Investment properties	16,292	15,993	14,112	13,653
Intangible assets	9,495	7,669	5,843	5,339
Investments accounted for using the equity method	43,014	46,081	39,076	10,744
Financial assets at fair value through profit or loss	—	800	2,800	40,104
Prepayments and other receivables	2,446	3,694	2,158	1,997
Deferred income tax assets	1,192	2,842	3,103	3,686
Total non-current assets	190,288	200,210	182,958	187,267
Current assets				
Inventories	2,096	1,108	1,132	1,130
Trade receivables	54,332	80,981	106,833	128,255
Prepayments and other receivables	17,816	26,242	48,730	27,925
Amounts due from shareholders	—	—	344,600	—
Financial assets at fair value through profit or loss	79,986	214,713	448,085	289,610
Cash and cash equivalents	616,662	651,924	546,559	519,892
Total current assets	770,892	974,968	1,495,939	966,812
Total Assets	961,180	1,175,178	1,678,897	1,154,079

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	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
LIABILITIES				
Non-current liabilities				
Borrowings	72,381	71,964	—	—
Lease liabilities	5,176	6,542	5,066	4,288
Redemption liabilities	—	570,995	488,202	—
Financial liabilities at fair value through profit or loss	—	—	—	2,092,844
Contract liabilities	31,569	50,899	52,851	32,204
Total non-current liabilities	109,126	700,400	546,119	2,129,336
Current liabilities				
Borrowings	—	—	64,322	62,500
Trade payables	163,733	156,591	213,483	127,289
Other payables and accruals	126,474	100,896	109,332	32,875
Redemption liabilities	—	—	123,274	—
Financial liabilities at fair value through profit or loss	—	—	—	348,463
Contract liabilities	71,666	151,342	187,234	130,250
Current income tax liabilities	30,373	75,094	110,432	93,822
Lease liabilities	4,777	4,314	5,143	5,774
Total current liabilities	397,023	488,237	813,220	800,973
Total liabilities	506,149	1,188,637	1,359,339	2,930,309
EQUITY				
Share capital	—	—	—	50
Combined capital	110,046	110,046	110,046	—
Treasury shares	—	—	—	(4)
Reserves	84,321	(455,287)	(459,873)	(2,526,103)
Retained earnings	259,277	325,673	662,351	742,652
Equity attributable to equity owners of the Company	453,644	(19,568)	312,524	(1,783,405)
Non-controlling interests	1,387	6,109	7,034	7,175
Total equity/(deficit)	455,031	(13,459)	319,558	(1,776,230)

Assets

Trade Receivables

Our trade receivables include amounts due from our customers. The table below sets forth the breakdown of our trade receivables as of the dates indicated.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Trade receivables	60,069	95,200	123,877	147,972
Less: allowance for impairment	(5,737)	(14,219)	(17,044)	(19,717)
Trade receivables – net	54,332	80,981	106,833	128,255

Our net trade receivables increased by 49.2% from RMB54.3 million as of December 31, 2019 to RMB81.0 million as of December 31, 2020, primarily due to an increase in trade receivables mainly due from media platforms and content producers for our managed artists' participation in commercial activities and entertainment content services and for pan-entertainment business. Our net trade receivables increased by 31.9% from RMB81.0 million as of December 31, 2020 to RMB106.8 million

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as of December 31, 2021, primarily due to an increase in trade receivables due from corporate customers, media platforms and music service providers for artist management, music IP production and operation and pan-entertainment businesses. Our net trade receivables increased by 20.1% from RMB106.8 million as of December 31, 2021 to RMB128.3 million as of April 30, 2022, primarily due to an increase in trade receivables due from corporate customers, media platforms and music service providers for artist management, music IP production and operation and pan-entertainment businesses.

We normally allow a payment term within 30 days to our customers upon their receipt of invoice. We have monitoring procedures to ensure that our management review the balances of trade receivables regularly and that we will take follow-up actions to collect overdue balances.

The following table sets forth our trade receivables turnover days for the periods indicated. Our trade receivables turnover days remained relatively stable in 2019, 2020 and 2021 and in general consistent with the payment terms we granted to customers. Our trade receivables turnover days increased from 31 in 2021 to 47 in the four months ended April 30, 2022, primarily due to an increase in the average of the beginning and ending balances of trade receivables for the four months ended April 30, 2022, mainly in relation to trade receivables due from certain customers which carried relatively larger amounts but had not been settled as of April 30, 2022.

	<u>For the year ended December 31,</u>			<u>For the four months</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>ended April 30,</u>
				<u>2022</u>
Trade receivables turnover days ⁽¹⁾	35	31	31	47

Note:

(1) Trade receivables turnover days for each period equals the average of the beginning and ending balances of trade receivables (without giving effect to allowance we made for trade receivables) for that period divided by revenue for the period and multiplied by the number of days in that period.

The following table sets forth the aging analysis of our trade receivables before deducting the allowance for impairment as of December 31, 2019, 2020 and 2021 and April 30, 2022, based on date of revenue recognition.

	<u>As of December 31,</u>			<u>As of April 30,</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	(RMB in thousands)			
Up to 3 months	39,901	75,620	96,786	94,825
3 to 6 months	4,741	7,561	7,293	28,934
6 months to 1 year	477	117	6,867	11,447
1 to 2 years	6,957	1,000	2,536	2,371
2 to 3 years	7,993	1,062	—	—
Over 3 years	—	9,840	10,395	10,395
Total	<u>60,069</u>	<u>95,200</u>	<u>123,877</u>	<u>147,972</u>

As indicated above, approximately 75.1%, 87.5%, 89.6% and 91.4% of trade receivables as of December 31, 2019, 2020 and 2021 and April 30, 2022 were aged within one year as of the same dates, respectively. For trade receivables aged over two years, we have made sufficient allowance for impairment in response to potential credit risks in relation to our trade receivables. As of June 30, 2022, approximately RMB48.1 million, or 32.5% of our trade receivables as of April 30, 2022, had been subsequently settled.

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We regularly review the recoverable amount of each individual receivable to ensure that adequate impairment allowance is made for irrecoverable amounts. As of December 31, 2019, 2020 and 2021 and April 30, 2022, we made provision for impairment of trade receivables of approximately RMB5.7 million, RMB14.2 million, RMB17.0 million and RMB19.7 million, respectively. As of December 31, 2019, 2020 and 2021 and April 30, 2022, we made provision for impairment of trade receivables aged over 2 years of RMB2.5 million, RMB10.2 million, RMB10.4 million and RMB10.4 million, respectively, at an expected loss rate of 31%, 94%, 100% and 100%, respectively. An expected credit loss analysis was performed at the end of each of the year of the Track Record Period and we applied the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Our Directors have carefully re-assessed the lifetime expected credit loss of trade receivables as at December 31, 2020 and 2021 and April 30, 2022, and increased the expected credit loss rate as at December 31, 2020 and 2021 and April 30, 2022 to reflect the adverse impact of COVID-19 to the macroeconomic environment and the PRC pan-entertainment industry. Considering all the above, our Directors are of a view that we have made sufficient provision consistent with IFRS for irrecoverable amounts of trade receivables.

To minimize the credit risks arising from collection of trade receivables from our customers, we have implemented a series of control measures. We have applied enhanced standards in grading our customers by evaluating their financial condition and repayment abilities, and choose high-quality customers for business transactions. Our legal team works closely with our business team to keep track of the payments of our customers and send them reminders to fulfill their payment obligations. If we identify any customer who fail to perform its payment obligations in a timely manner, we may take actions, including legal actions, to collect any overdue balances.

We do not expect to have any material recoverability issue with the outstanding trade receivables primarily because: (i) a substantial portion of our trade receivables as of December 31, 2019, 2020 and 2021 and April 30, 2022 were aged within one year as of the same dates, respectively; (ii) our trade receivables were mainly due from reputable companies; (iii) we have been continuously receiving payments from relevant customers to settle the trade receivables due from them; (iv) we have a series of policies and measures in place to minimize the credit risks in relation to trade receivables as mentioned above; and (v) we have made sufficient provision consistent with IFRS for irrecoverable amounts of trade receivables.

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Prepayments and Other Receivables

The table below sets forth the breakdown of our prepayments and other receivables as of the dates indicated.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Deferred listing expenses	—	—	5,156	6,072
Prepayments for acquisitions of property, plant and equipment	—	2,371	—	—
Others ⁽¹⁾	1,113	1,916	3,099	1,646
Prepayments	1,113	4,287	8,255	7,718
Loans to third parties and a related party	11,021	13,668	21,875	3,365
Other tax recoverables	1,289	4,831	11,961	9,880
Rental and other deposits	3,749	4,519	6,380	6,272
Others ⁽²⁾	3,450	3,048	3,241	3,030
Less: allowance for impairment	(360)	(417)	(824)	(343)
Other receivables—net	19,149	25,649	42,633	22,204
Total prepayments and other receivables	20,262	29,936	50,888	29,922
Less: Non-current deposits and prepayments	(2,446)	(3,694)	(2,158)	(1,997)
Current portion	17,816	26,242	48,730	27,925

Notes:

(1) Consisting primarily of prepayments of promotion expenses.

(2) Consisting primarily of the repayable portion of rent for the leased office we paid for other co-lessees.

Our prepayments increased from RMB1.1 million as of December 31, 2019 to RMB4.3 million as of December 31, 2020, primarily due to an increase in prepayments for renovation of our office building. Our prepayments increased by 93.0% from RMB4.3 million as of December 31, 2020 to RMB8.3 million as of December 31, 2021, primarily due to the listing expenses to be capitalized of RMB5.2 million, which was partially offset by a decrease in prepayments for acquisitions of property, plant and equipment of RMB2.4 million as a result of recategorization of prepayment for renovation as long-term amortization costs after the completion of renovation. Our prepayments decreased by 7.2% from RMB8.3 million as of December 31, 2021 to RMB7.7 million as of April 30, 2022, primarily due to a decrease in the prepayments of promotion expenses which was partially offset by an increase in the listing expenses to be capitalized.

Our other receivables consist primarily of (i) loans to third parties and a related party, (ii) other tax recoverables and (iii) rental and other deposits. Loans to third parties and a related party consist primarily of (i) loans to third-party entities, (ii) the loan to a related company we have an equity interest in and (iii) advances to our trainees and managed artists. Loans to third-party entities primarily relate to our loans to two third-party private media companies engaging public relation and promotion, Guangzhou Felix Advertising Limited (廣州菲里科司廣告有限公司) and Guangzhou Showing Tower Culture Communication Limited (廣州尚銳堂文化傳播有限公司), for working capital, which have an aggregate principal amount of RMB10.0 million and accrue interest at a rate of 7% per annum. We previously acquainted with these two private media companies through one of our suppliers who provided concert production services for us. With an intention to further develop business relationships, we provided such loans to the two private media companies. These loans were fully repaid in April 2022. The loan to a related company is the loan that we made to Nice Future, a related company in which we have 10.0% equity interest, for working capital. This loan has a principal

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amount of RMB7.0 million and accrues interest at China's one-year loan prime rate. This loan was fully repaid in March 2022. During the Track Record Period, we provided certain advances to our trainees and managed artists for their personal use, which were interest-free. As of December 31, 2019, 2020 and 2021 and April 30, 2022, loans to third parties and a related party are unsecured and repayable on demand.

As advised by our PRC Legal Advisor, any financing arrangement or lending transaction between non-financial institutions is prohibited by the General Lending Provisions (《貸款通則》) promulgated by PBOC. However, according to the latest revised Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "Judicial Interpretations on Private Lending Cases"), the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements are satisfied and there is no violation of mandatory provisions of applicable laws and regulations.

We made the loans to third-party entities and Nice Future for the purpose of such parties' normal business operation and the source of the loans is the funds legally owned by us. We have no intention to engage in any private lending activity to derive interest income, and our provision of interest-bearing loan to related and third parties has not involved the circumstances which would cause the lending agreement invalid as set forth in the Civil Code of the PRC or the Judicial Interpretations on Private Lending Cases. As of the Latest Practicable Date, we had not been subject to any investigation or penalties in relation to loans to third-party entities and Nice Future, and there was no administrative penalty imposed by any governmental authority with respect to such loans. We will not enter into loans to third-party entities or related parties after the Listing.

Considering the above factors, our PRC Legal Advisor is of the view that the risk of us being penalized for the above-mentioned loans pursuant to the General Lending Provisions by the relevant regulatory authorities is remote.

Our net other receivables increased by 34.0% from RMB19.1 million as of December 31, 2019 to RMB25.6 million as of December 31, 2020, primarily due to (i) an increase in other tax recoverables in relation to input tax to be deducted, as a result of our business growth and (ii) an increase in loans to third parties and a related party in relation to our loans to the above-mentioned two private companies.

Our net other receivables increased by 66.4% from RMB25.6 million as of December 31, 2020 to RMB42.6 million as of December 31, 2021, primarily due to (i) an increase in other tax recoverables in relation to input tax to be deducted, as a result of our business growth; (ii) an increase in loans to third parties and a related party in relation to a loan of RMB7.0 million to Nice Future as its working capital; and (iii) an increase in rental and other deposits in relation to a new lease by Yuehua Korea.

Our net other receivables decreased by 47.9% from RMB42.6 million as of December 31, 2021 to RMB22.2 million as of April 30, 2022, primarily due to a decrease in loans to third parties and a related party as a result of the repayments of loans to two private media companies and the loan to Nice Future.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss comprise our investments in wealth management products, movies, drama series and variety programs, unlisted equity securities at fair

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value and a listed equity security at fair value. For details about fair value estimation, see Note 3.3 to the Accountant’s Report in Appendix I to this prospectus. The table below sets forth the breakdown of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Current portion				
Investments in wealth management products	873	194,420	446,265	289,610
Investments in movies, drama series and variety programs	79,113	20,293	1,820	—
Subtotal	<u>79,986</u>	<u>214,713</u>	<u>448,085</u>	<u>289,610</u>
Non-current portion				
Investment in unlisted equity securities	—	800	2,800	25,389
Investment in a listed equity security	—	—	—	14,715
Total	<u><u>79,986</u></u>	<u><u>215,513</u></u>	<u><u>450,885</u></u>	<u><u>329,714</u></u>

Our financial assets at fair value through profit or loss increased substantially from RMB80.0 million as of December 31, 2019 to RMB215.5 million as of December 31, 2020, primarily due to our increased investment in wealth management products. Such increase was partially offset by a decrease in our investments in movies, drama series and variety programs primarily due to our strategic decision to focus more on our artist management and music IP production and operation businesses. The number of movies, drama series and variety programs we invested in decreased from 12 as of December 31, 2019 to seven as of December 31, 2020. Our financial assets at fair value through profit or loss further increased from RMB215.5 million as of December 31, 2020 to RMB450.9 million as of December 31, 2021, primarily due to our increased investments in wealth management products and increased investments in unlisted equity securities. These increases were partially offset by a decrease in investments in movies, drama series and variety programs. The number of movies, drama series and variety programs we invested in decreased from seven as of December 31, 2020 to two as of December 31, 2021. Our financial assets at fair value through profit or loss decreased by 26.9% from RMB450.9 million as of December 31, 2021 to RMB329.7 million as of April 30, 2022, primarily due to a decrease in our investments in wealth management products. The decrease was partially offset by an increase in our investments in unlisted and listed equity securities.

Our investments in wealth management products increased from RMB0.9 million as of December 31, 2019 to RMB194.4 million as of December 31, 2020, and further increased to RMB446.3 million as of December 31, 2021, primarily due to a continuous increase in cash generated from operating activities in line with the growth of our business. Our investments in wealth management products decreased from RMB446.3 million as of December 31, 2021 to RMB289.6 million as of April 30, 2022, primarily due to the disposal of a portion of our investments in wealth management products in order to meet our cash needs to pay the dividends declared in March 2022.

Our investments in wealth management products were mainly our investments in the wealth management products issued by large commercial banks in the PRC with guaranteed principal and floating return rate of investment ranging from 1.49% to 4.65% during the Track Record Period.

To limit the risks in relation to the wealth management products, we manage and evaluate the performance of investments on a fair value basis in accordance with our risk management and investment strategy under the premise that each purchasing does not affect our business operations. Specifically, our investment policies and internal control measures for wealth management product

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investments include, but not limited to: (i) we only allow investments in principal-guaranteed and interest-bearing wealth management products such as structured deposits, certificates of deposit, bank deposits with high interest rates and low-risk bonds issued by domestic central government bonds; (ii) the wealth management products we invest in should be issued by large commercial banks in the PRC; (iii) our finance department is in charge of assessment and purchase of wealth management products after considering the amount of our available funds and future capital needs while ensuring liquidity safety under the principle of maximizing the return on funds; and (iv) the finance department submits the investment proposals for internal review and the approvals from both our chief executive officer and our chief financial officer are required for each investment. At the beginning of each year, our Board of Directors reviews our investment plans in wealth management products, including the annual amount limit on our investments in wealth management products and the expected investment return, and approves such plans after careful assessment. Our finance department should make investments in wealth management products within the amount limit approved by our Board of Directors.

Subsequent to the purchases of wealth management products, we have designated personnel in our finance department to monitor performance of our investments and assess the risks associated with the investments. Any anomaly shall be timely reported to the management and we take actions immediately to avoid or reduce our investment losses. Our internal audit department is responsible for the review and audit of our investments in wealth management products and report the results to the management and the audit committee.

In redemption of our investments in wealth management products, our finance department communicate with the banks before the redemption date to ensure the return of our principals and interest gains or the re-investment in wealth management products. Our finance department is required to collect all the principals and gains within seven business days after the redemption date.

After the Listing, we intend to continue to invest in financial assets at fair value through profit or loss strictly in accordance with our internal policies and the requirements under Chapter 14 of the Listing Rules.

Our investments in movies, drama series and variety programs mainly represent our investments in certain movies, drama series and variety programs in which we hold a minority interest. Fair value of movies, drama series and variety programs is generally valued using the discounted cashflow method. The principal assumptions adopted in arriving at the fair value included, but not limited to: (i) management's best estimates of projected revenue of the relevant movies, drama series and variety programs are achievable; (ii) a weighted average cost of capital estimated with reference to listed comparable companies in the industry; (iii) the public and statistical information obtained from sources are deemed to be reputable, accurate and reliable; and (iv) the projects we invested in will retain and have competent management, key personnel, and technical staff to support their ongoing operation and will continue to operate as a going concern and have sufficient liquidity and capability to achieve the financial forecasts.

Our investments in movies, drama series and variety programs as of December 31, 2019 consisted primarily of our investments in (i) nine movies, including Star Trek Beyond (星際迷航3), Lie Detector (測謊人), Vanguard (急先鋒), Ba Sui De Ba Ba (八歲的爸爸) and The Magic School: Return of Flash (捉妖學院之閃影歸來), among others; and (ii) three drama series, including God of Lost Fantasy (太古神王), Chuan Luo Xue (莽荒紀之川落雪) and The Monkey King: The Lady Kingdom (西遊記之女兒國).

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Our investments in movies, drama series and variety programs decreased from RMB79.1 million as of December 31, 2019 to RMB20.3 million as of December 31, 2020, primarily due to the decreases in the fair value of our investments in (i) two drama series God of Lost Fantasy of RMB28.2 million and Chuan Luo Xue of RMB8.6 million, as they were initially broadcast in 2020 and we received the return of our investments in the two drama series; and (ii) the movie Star Trek Beyond of RMB17.7 million, as we received the return of our investment in this movie in 2020, which was partially offset by our investments in a variety program Super Hit (宇宙打歌中心) of RMB4.3 million and a novel script right for future commercial development.

Our investments in movies, drama series and variety programs further decreased from RMB20.3 million as of December 31, 2020 to RMB1.8 million as of December 31, 2021, primarily due to the decreases in the fair value of (i) Lie Detector of RMB10.5 million, as it was initially broadcast in 2021 and we received the return of our investments in this movie; and (ii) Super Hit of RMB4.3 million, as the initial broadcast of Super Hit ended in 2021 and we received the return of our investments. As of December 31, 2021, we had investments in one novel script right and one movie with a relatively small amount of fair value of RMB1.8 million. As of April 30, 2022, we had no investments in movies, drama series and variety programs, as a result of the dismantlement of our contractual arrangements in respect of Horgos Yuehua in March 2022.

Our investments in unlisted equity securities represent our minority interests in certain private companies on which we have no significant influence. Our investments in unlisted equity securities increased from nil as of December 31, 2019 to RMB0.8 million as of December 31, 2020, primarily due to our investment in a private company in the consumer industry. Our investments in unlisted equity securities increased from RMB0.8 million as of December 31, 2020 to RMB2.8 million as of December 31, 2021, primarily due to our investments in another two private companies in the consumer entertainment industries. Our investments in unlisted equity securities increased from RMB2.8 million as of December 31, 2021 to RMB25.4 million, primarily due to our investments in three private companies in the consumer, media and technology industries. Our investments in listed equity securities represent our minority interests in a public company. As of April 30, 2022, our investments in listed equity securities were RMB14.7 million in relation to our investment in a biotech company listed on the NEEQ.

In respect of the valuation of level 3 financial assets, with reference to the guidance under the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial assets without readily determinable fair value; (ii) carefully considered available information, including public and statistical information from reputable, accurate and reliable sources, in assessing the financial data and assumptions including but not limited to discount rate, expected rate of return and political and industry conditions; (iii) engaged independent valuer to appraise the fair value of certain financial assets that are significant, provided necessary financial information to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable and our financial statements are properly prepared.

Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of

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unobservable inputs to fair value are disclosed in Note 3.3 and Note 21 of the Accountant's Report in Appendix I to this prospectus which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page I-1 to I-3 of Appendix I to this prospectus.

In relation to the valuation of our level 3 financial assets, the Joint Sponsors have performed, among others, the following independent due diligence: (i) discussing with our management with a view to understanding the nature and accounting treatment of our financial assets, and the background and evaluation methodology of our investments; (ii) reviewing the full list and breakdown of our financial assets and other relevant documents prepared by us to understand the work conducted by us in fair value estimation and our assessment of the financial assets valuation; (iii) reviewing the valuation report of certain of our financial assets prepared by a professional valuer and discussing with the valuer on the valuation methodology and assumptions, and qualification, competence and independence of the valuer; (iv) discussing the valuation assumptions relating to the macro political, legal, social and economic environment with Frost & Sullivan; and (v) discussing with the Reporting Accountant in respect of the audit procedures conducted for the purpose of reporting on the Historical Financial Information of our Group as a whole and reviewing the relevant notes in the Accountant's Report set out in Appendix I to this prospectus. Based on the due diligence work carried out as described above, and taking into account the work done and representations by our Directors and the opinion of the Reporting Accountant, nothing has come to the Joint Sponsors' attention that would lead them to cast doubts on the valuation of the fair value of our financial assets.

Inventories

Our inventories comprise artist-related merchandise, drama series and movie scripts.

Our inventories decreased by 47.6% from RMB2.1 million as of December 31, 2019 to RMB1.1 million as of December 31, 2020, primarily due to a decrease in artist-related merchandise of RMB1.0 million as we disposed certain merchandise. Our inventories remained relatively stable at RMB1.1 million as of December 31, 2021 and April 30, 2022, respectively. As of June 30, 2022, none of our inventories as of April 30, 2022 had been subsequently been consumed or sold.

Property, Plant and Equipment

Our property, plant and equipment mainly comprise freehold land and office building in Korea, motor vehicles and office equipment.

The value of our property, plant and equipment was RMB105.7 million, RMB106.4 million, RMB103.6 million and RMB100.9 million as of December 31, 2019, 2020 and 2021 and April 30, 2022, respectively. The value of our property, plant and equipment remained relatively stable primarily due to combined effects of the currency translation differences in relation to our freehold land and office building in Korea, the depreciation of our office building, as well as procurement of new property, plant and equipment.

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Investment Properties

Our investment properties mainly comprise two floors of the basement of the office building in Korea we purchased in 2019. The value of our investment properties decreased slightly from RMB16.3 million as of December 31, 2019 to RMB16.0 million as of December 31, 2020, and further decreased to RMB14.1 million as of December 31, 2021 and further decreased to RMB13.7 million as of April 30, 2022, primarily due to the depreciation and currency translation differences between KRW and RMB.

Right-of-use Assets

Our right-of-use assets mainly comprise leased offices and motor vehicles.

Our right-of-use assets increased by 38.0% from RMB12.1 million as of December 31, 2019 to RMB16.7 million as of December 31, 2020, primarily due to our lease of a new office in China in 2020. Our right-of-use assets decreased by 26.9% from RMB16.7 million as of December 31, 2020 to RMB12.2 million as of December 31, 2021, primarily due to disposal of right-of-use assets from early termination of a lease as we moved to the new office. Our right-of-use assets decreased by 11.5% from RMB12.2 million as of December 31, 2021 to RMB10.8 million as of April 30, 2022, primarily due to depreciation.

Investments Accounted for Using the Equity Method

Our investments accounted for using the equity method comprise our investments in associates, being private companies in which we have significant influences. For details about our investments in associates, see Note 19 to the Accountant's Report in Appendix I to this prospectus.

We invested in certain pan-entertainment and technology companies which we believe are with great growth potential. Our investments accounted for using the equity method increased by 7.2% from RMB43.0 million as of December 31, 2019 to RMB46.1 million as of December 31, 2020, primarily due to the acquisition of equity interest in three associates, namely Starsugar, Hangzhou Agile, and Agile Groups International (HK) Limited (小群國際(香港)有限公司) ("Agile Groups") in 2020. Our investments accounted for using the equity method decreased by 15.2% from RMB46.1 million as of December 31, 2020 to RMB39.1 million as of December 31, 2021, primarily due to the losses incurred in the business operations of our associates as well as disposal of all our interests in Agile Groups and partial disposal of our interests in Hangzhou Agile and in 2021. Our investments accounted for using the equity method decreased by 72.6% from RMB39.1 million as of December 31, 2021 to RMB10.7 million as of April 30, 2022, primarily due to the disposal of all our interests in Beijing Tianhao as a result of the dismantlement of our contractual arrangements in respect of Horgos Yuehua in March 2022. Such decrease was partially offset by our equity investments in Candy Cosmetics in the four months ended April 30, 2022.

Liabilities

Trade Payables

Our trade payables consist primarily of payables in relation to our revenue sharing arrangements with our managed artists and certain media platforms for our artist management business.

Our trade payables were RMB163.7 million, RMB156.6 million, RMB213.5 million and RMB127.3 million as of December 31, 2019, 2020 and 2021 and April 30, 2022, respectively. Our

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trade payables decreased slightly from RMB163.7 million as of December 31, 2019 to RMB156.6 million as of December 31, 2020, primarily due to a decrease in revenue shared with a major media platform in China as our cooperation agreement with this media platform expired in the fourth quarter of 2019, pursuant to which this platform managed certain artists jointly with us and we shared the revenue generated by these artists with this platform. We resumed to operate such artists on an exclusive basis after the conclusion of this cooperation agreement and no longer need to share revenue from operation of such artists with this platform in 2020. Our trade payables increased by 36.3% from RMB156.6 million as of December 31, 2020 to RMB213.5 million as of December 31, 2021, primarily due to an increase in revenue sharing with our established managed artists. Our trade payables decreased by 40.4% from RMB213.5 million as of December 31, 2021 to RMB127.3 million as of April 30, 2022, primarily due to the settlement of revenue sharing with managed artists in the four months ended April 30, 2022.

Payables in relation to our revenue sharing for artist management business were the major component of our trade payables during the Track Record Period. We generally settle the payments of revenue to be shared with our managed artists upon receipt of invoices from them on a quarterly basis. The following table sets forth our trade payables turnover days for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,
	2019	2020	2021	2022
Trade payables turnover days ⁽¹⁾	149	136	98	105

Note:

(1) Trade payables turnover days for each period equals the average of the beginning and ending balances of trade payables for that period divided by cost of revenue for the period and multiplied by the number of days in that period.

Our trade payables turnover days were 149 days in 2019, primarily because it took a much longer time to settle the payments of revenue to be shared with media platforms which jointly managed certain artists with us during a specified term, as compared to the quarterly settlement with our managed artists. Our trade payables turnover days were 136 days in 2020, primarily attributable to a large ending balance of our trade payables as of December 31, 2020, driven by a substantial growth in our artist management business in 2020. Our trade payables turnover days were 98 days in 2021, which generally accorded with the quarterly settlement with our managed artists. Our trade payables turnover days were 105 days in the four months ended April 30, 2022, which remained relatively stable as compared to that in 2021.

The following table sets forth our trade payables as of December 31, 2019, 2020 and 2021 and April 30, 2022.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Up to 3 months	49,179	125,756	113,355	75,414
3 to 6 months	58,004	16,812	76,079	22,046
6 months to 1 year	33,829	2,002	13,545	20,313
Over 1 year	22,721	12,021	10,504	9,516
Total	163,733	156,591	213,483	127,289

As of June 30, 2022, RMB27.8 million, or 21.8% of our trade payables outstanding as of April 30, 2022, had been subsequently settled.

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Other Payables and Accruals

Other payables and accruals consist primarily of (i) payables in respect of investments of movies, (ii) accrual for payroll, employee benefit and other expenses, (iii) payables in respect of sharing in the receipts from movies and variety programs and (iv) listing expenses payable and accrual. The table below sets forth the breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Payables in respect of investments in movies	33,204	33,204	33,204	–
Accrual for payroll, employee benefit and other expenses	17,521	20,540	30,665	12,000
Payables in respect of sharing in the receipts from movies and variety programs ⁽¹⁾	18,816	16,949	19,780	8,703
Listing expenses payable and accrual	–	–	10,104	5,500
VAT and surcharges payable	13,110	16,596	9,619	5,187
Payables in respect of investments received for canceled licensing arrangement	8,925	–	–	–
Payables in respect of canceled events	7,547	7,547	–	–
Loans from a third party and related parties ⁽²⁾	21,573	–	–	–
Dividend payable	1,875	–	–	–
Others ⁽³⁾	3,903	6,060	5,960	1,485
Total	126,474	100,896	109,332	32,875

Notes:

- (1) Consisting primarily of payables for revenue sharing with co-investors in movies and variety programs.
- (2) Consisting primarily of loans from a third party and two related parties, which are unsecured, interest free and repayable on demand or in one year. These loans were fully repaid in 2020.
- (3) Consisting primarily of payables and accruals for daily expenses.

We entered into a loan agreement with Huahua Media Co., Limited, a third-party Hong Kong private media company with the principal amount of US\$2.1 million, interest-free and unsecured, as work capital for our intention to invest in movies and drama series overseas. This loan was repaid in 2020.

Our other payables and accruals decreased by 20.2% from RMB126.5 million as of December 31, 2019 to RMB100.9 million as of December 31, 2020, primarily due to (i) the payoff of the above-mentioned loan from Huahua Media Co., Limited, and (ii) the payoff of loans from related parties, Ms. Sun Yuqing to purchase office building in Korea and Mr. LEE Sang Kyu as our working capital in 2020.

Our other payables and accruals increased by 8.3% from RMB100.9 million as of December 31, 2020 to RMB109.3 million as of December 31, 2021, primarily due to (i) an increase in accrued payroll, employee benefit and other expenses resulting from the increase in the number of our employees and in employee salaries and benefits. The number of our employees increased from 166 as of December 31, 2020 to 195 as of December 31, 2021; (ii) listing expenses payable and accrual newly incurred in 2021.

Our other payables and accruals decreased by 69.9% from RMB109.3 million as of December 31, 2021 to RMB32.9 million as of April 30, 2022, primarily due to (i) decreases in payables in respect of investments in movies and payables in respect of sharing in the receipts from movies and variety programs, as a result of the dismantlement of our contractual arrangements in

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respect of Horgos Yuehua in March 2022; and (ii) a decrease in accrual for payroll, employee benefit and other expenses as we paid the year-end bonuses for 2021 to our employees in the four months ended April 30, 2022.

Contract Liabilities

Our contract liabilities mainly represent non-refundable advanced payments received from the customers for services that have not yet been delivered to the customers. We recognize contract liabilities as revenue once our obligations have been performed under the relevant contracts. For details, see Note 2.22 to the Accountant’s Report in Appendix I to this prospectus.

The table below sets forth the breakdown of our contract liabilities by business line as of the dates indicated.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Artist management	81,088	172,001	193,683	133,745
Music IP production and operation	18,233	25,800	44,003	28,169
Pan-entertainment business	3,914	4,440	2,399	540
Total	103,235	202,241	240,085	162,454

Our contract liabilities increased by 95.9% from RMB103.2 million as of December 31, 2019 to RMB202.2 million as of December 31, 2020, primarily due to an increase in contract liabilities for artist management as a result of an increase in the number of contracts of commercial activities we secured in 2020. Our contract liabilities increased by 18.7% from RMB202.2 million as of December 31, 2020 to RMB240.1 million as of December 31, 2021, primarily due to (i) a continuous increase in contract liabilities for artist management as a result of an increase in the number and price of contracts of commercial activities we secured in 2021; and (ii) an increase in contract liabilities for music IP production and operation, as a result of the prepayments from music streaming platforms when we entered into licensing agreements with them. Our contract liabilities decreased by 32.3% from RMB240.1 million as of December 31, 2021 to RMB162.5 million as of April 30, 2022, primarily due to (i) the recognition of certain contract liabilities under the contracts of endorsement deals secured in 2021 as revenue and (ii) a decrease in the number of contracts newly secured in the four months ended April 30, 2022.

As of June 30, 2022, RMB54.1 million, or 33.3% of our contract liabilities as of April 30, 2022, had been subsequently recognized as revenue.

Redemption Liabilities

Pursuant to a shareholders’ agreement signed on November 16, 2020, certain shareholders of Yuehua Limited were granted preferential rights to require our Group to repurchase the shares of Yuehua Limited held by them in full or in part when certain conditions are met in future dates. The purchase prices were either a fixed amount, or determined by making reference to the fair value of the equity shares of Yuehua Limited in future periods, or calculated using simple interest basis. As a result of such preferential rights, our Group redesignated the ordinary shares of Yuehua Limited held by these certain shareholders as redemption liabilities which were initially recognized at the present value of the estimated future cash outflows under the redemption arrangement. For more details about the preferential rights, see “History, Reorganization and Corporate Structure—Pre-IPO Investments.”

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We had RMB571.0 million redemption liabilities as of December 31, 2020. Our redemption liabilities increased by 7.1% from RMB571.0 million as of December 31, 2020 to RMB611.5 million as of December 31, 2021, primarily due to unwinding of interests in 2021. We had no redemption liabilities as of April 30, 2022 as the redemption liabilities were derecognized following the issuance of Series A-1, A-2 and A-3 convertible preferred shares by our Company to certain shareholders in January 2022. For more details about our redemption liabilities, see Note 32 to the Accountant's Report in Appendix I to this prospectus.

Financial Liabilities at Fair Value Through Profit or Loss

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 with an initial fair value of RMB2,484.4 million, while the redemption liabilities were derecognized.

We applied the discounted cash flow method to determine the underlying equity value of our Company and adopted option-pricing method and equity allocation model to determine the fair value of the Series A-1, A-2, A-3 convertible preferred shares. The key assumptions we relied on are set as below:

	<u>As of April 30,</u> <u>2022</u>
	<u>(RMB in thousands)</u>
Discount rate	12.00%
Risk-free interest rate	2.79%
Discount for lack of marketability	6.45%
Expected volatility	44.55%

In addition to the assumptions adopted above, we also factored our projections of future performance into the determination of the fair value of Series A-1, A-2, A-3 convertible preferred shares on each appraisal date.

As of April 30, 2022, we had financial liabilities at fair value through profit or loss of RMB2,441.3 million, with non-current portion of RMB2,092.8 million and current portion of RMB348.5 million.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash is to fund our working capital requirements and other recurring expenses. During the Track Record Period, we met our working capital requirements mainly from cash generated from operations.

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Current Assets and Current Liabilities

The table below sets forth our current assets, current liabilities and net current assets as of the dates indicated.

	As of December 31,			As of April 30,	As of June 30,
	2019	2020	2021	2022	2022
	(RMB in thousands)				(Unaudited)
Current assets					
Inventories	2,096	1,108	1,132	1,130	1,130
Trade receivables	54,332	80,981	106,833	128,255	122,950
Prepayments and other receivables	17,816	26,242	48,730	27,925	23,148
Amounts due from shareholders	—	—	344,600	—	—
Financial assets at fair value through profit or loss	79,986	214,713	448,085	289,610	370,354
Cash and cash equivalents	616,662	651,924	546,559	519,892	514,599
Total current assets	770,892	974,968	1,495,939	966,812	1,032,181
Current liabilities					
Borrowings	—	—	64,322	62,500	61,865
Trade payables	163,733	156,591	213,483	127,289	152,676
Other payables and accruals	126,474	100,896	109,332	32,875	36,113
Redemption liabilities	—	—	123,274	—	—
Financial liabilities at fair value through profit or loss	—	—	—	348,463	353,397
Contract liabilities	71,666	151,342	187,234	130,250	151,734
Current income tax liabilities	30,373	75,094	110,432	93,822	68,053
Lease liabilities	4,777	4,314	5,143	5,774	5,103
Total current liabilities	397,023	488,237	813,220	800,973	828,941
Net current assets	373,869	486,731	682,719	165,839	203,240

Our net current assets increased by 22.6% from RMB165.8 million as of April 30, 2022 to RMB203.2 million as of June 30, 2022, primarily due to an increase in our current assets which outpaced an increase in our current liabilities. Our current assets increased by 6.8% from RMB966.8 million as of April 30, 2022 to RMB1,032.2 million as of June 30, 2022, primarily due to an increase in financial assets at fair value through profit or loss, reflecting our increased investments in wealth management products. Our current liabilities increased by 3.5% from RMB801.0 million as of April 30, 2022 to RMB828.9 million as of June 30, 2022, primarily due to (i) an increase in trade payables of RMB25.4 million, which were mainly revenue sharing with our managed artists to be settled and (ii) an increase in contract liabilities of RMB21.5 million, in relation to our newly secured contracts for commercial activities. The increase in our current liabilities was partially offset by a decrease in current income tax liabilities of RMB25.8 million as a result of the settlement and payment of our income tax.

Our net current assets decreased by 75.7% from RMB682.7 million as of December 31, 2021 to RMB165.8 million as of April 30, 2022, primarily due to a decrease in our current assets which outpaced a decrease in our current liabilities. Our current assets decreased by 35.4% from RMB1,495.9 million as of December 31, 2021 to RMB966.8 million as of April 30, 2022, primarily due to (i) a decrease in financial assets at fair value through profit or loss, primarily in relation to the disposal of a portion of our investments in wealth management products and (ii) a decrease in cash and

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cash equivalents, in order to meet our cash needs such as (a) the settlement of revenue sharing with managed artists, (b) the payment of dividends to the shareholders of our Company in March 2022 and (c) the payment of the year-end bonuses for 2021 to our employees. Our current liabilities decreased by 1.5% from RMB813.2 million as of December 31, 2021 to RMB801.0 million as of April 30, 2022, primarily due to (i) the derecognition of redemption liabilities of RMB123.3 million in relation to the issuance of convertible preferred shares of our Company to certain shareholders, (ii) a decrease in trade payables of RMB86.2 million, mainly attributable to the settlement of certain trade payables and (iii) a decrease in other payables and accruals of RMB76.4 million, as a result of the dismantlement of our contractual arrangements in respect of Horgos Yuehua in March 2022 and our payments of year-end bonuses for 2021 to our employees. The decrease in our current liabilities was partially offset by the recognition of convertible preferred shares as financial liabilities at fair value through profit or loss of RMB348.5 million in relation to the issuance of convertible preferred shares of our Company to certain shareholders. For details, see “History, Reorganization and Corporate Structure—Reorganization.”

Our net current assets increased by 40.3% from RMB486.7 million as of December 31, 2020 to RMB682.7 million as of December 31, 2021, primarily due to an increase in our current assets, which was partially offset by an increase in our current liabilities. Our current assets increased by 53.4% from RMB975.0 million as of December 31, 2020 to RMB1,495.9 million as of December 31, 2021, primarily due to (i) an increase in amounts due from shareholders of RMB344.6 million, which were subsequently settled in March 2022, in relation to our Reorganization which had not been completed as of December 31, 2021, (ii) an increase in financial assets at fair value through profit or loss of RMB233.4 million, reflecting our increased investments in wealth management products and increased investments in unlisted equity securities, (iii) an increase in trade receivables of RMB25.8 million, reflecting our business growth and expansion, and (iv) an increase in prepayments and other receivables of RMB22.5 million as a result of an increase in loans to third parties and a related party. Our current liabilities increased by 66.6% from RMB488.2 million in 2020 to RMB813.2 million in 2021, primarily due to (i) an increase in redemption liability of RMB123.3 million in relation to the additional redemption rights that certain shareholders of Yuehua Limited are entitled to pursuant to the shareholders’ agreement dated November 16, 2020, (ii) borrowings of RMB64.3 million in relation to a three-year loan from a Korean bank, (iii) an increase in trade payables of RMB56.9 million, as a result of the growth and expansion of our business, (iv) an increase in contract liabilities of RMB35.9 million as a result of our expanding business and (v) an increase in current income tax liabilities of RMB35.3 million, as a result of the increase in our taxable profit.

Our net current assets increased by 30.2% from RMB373.9 million as of December 31, 2019 to RMB486.7 million as of December 31, 2020, primarily due to an increase in our current assets, which was partially offset by an increase in our current liabilities. Our current assets increased by 26.5% from RMB770.9 million as of December 31, 2019 to RMB975.0 million as of December 31, 2020, primarily due to (i) an increase in financial assets at fair value through profit or loss of RMB134.7 million, reflecting our addition of wealth management products, (ii) an increase in cash and cash equivalents of RMB35.2 million, and (iii) an increase in trade receivables of RMB26.7 million, reflecting the expansion of our business. Our current liabilities increased by 23.0% from RMB397.0 million as of December 31, 2019 to RMB488.2 million as of December 31, 2020, primarily attributable to (i) an increase in contract liabilities of RMB79.6 million, as a result of an increase in the number of contracts of commercial activities we secured in 2020, and (ii) an increase in current income tax liabilities of RMB44.7 million, as a result of the increase in our taxable profit.

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Cash Flows

The table below sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Operating cash flows before changes in working capital	260,914	434,957	531,572	163,580	149,733
Changes in working capital	46,793	48,106	66,958	(15,206)	(208,851)
Income taxes paid	(53,736)	(57,518)	(90,630)	(38,228)	(47,573)
Net cash generated from / (used in) operating activities	253,971	425,545	507,900	110,146	(106,691)
Net cash generated from / (used in) investing activities	23,535	(161,184)	(258,702)	(397,740)	136,362
Net cash generated from / (used in) financing activities	36,934	(230,356)	(353,254)	(1,798)	(72,221)
Net increase / (decrease) in cash and cash equivalents	314,440	34,005	(104,056)	(289,392)	(42,550)
Cash and cash equivalents at the beginning of the year/ period	303,076	616,662	651,924	651,924	546,559
Effect of exchange rate changes on cash and cash equivalents	(854)	1,257	(1,309)	(530)	15,883
Cash and cash equivalents at the end of the year/ period	616,662	651,924	546,559	362,002	519,892

Operating Activities

During the Track Record Period, we generated cash inflow from our operating activities primarily through our artist management, music IP production and operation and pan-entertainment business. Cash outflow from operating activities primarily comprises costs incurred in operation of our businesses. Our cash generated from or used in operating activities reflects our profit before tax as adjusted by non-cash and non-operating items and movements in working capital.

Our net cash used in operating activities was RMB106.7 million in the four months ended April 30, 2022. This net cash outflow was primarily attributable to profit before income tax of approximately RMB110.9 million, as adjusted by (i) a decrease in trade payables of approximately RMB86.1 million, as a result of the settlement of certain trade payables in the four months ended April 30, 2022, (ii) a decrease in contract liabilities of approximately RMB75.4 million, as a result of the recognition of certain contract liabilities as revenue upon our performance of services to customers and a decrease in the number of contracts newly secured in the four months ended April 30, 2022, (iii) an increase in trade receivables of approximately RMB24.1 million, as a result of our growing business, (iv) a decrease in other payables and accruals of approximately RMB24.1 million, as a result of our payments of the year-end bonuses for 2021 to employees and partial payments of listing expenses and (v) adjustments for non-cash items, mainly including the equity settled share-based payments of approximately RMB29.1 million and the fair value changes of convertible preferred shares of approximately RMB6.8 million. We plan to improve our operating cash flows by executing the following strategies: (i) accelerate the collection of trade receivables from customers by regular communication with them; (ii) make efforts to generate more revenue, including (a) proactively

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exploring new opportunities to cooperate with corporate customers, media platforms, content producers and advertising agencies to secure more contracts for our managed artists and (b) further developing our music IP production and operation business; and (iii) improve our operational efficiency by enhancing our financial budget management and controlling our costs and expenses.

Our net cash generated from operating activities was RMB507.9 million in 2021. This net cash inflow was primarily attributable to (i) profit before income tax of approximately RMB461.0 million, (ii) an increase in trade payables of approximately RMB56.9 million, reflecting our expanding business, (iii) an increase in contract liabilities of approximately RMB37.8 million as a result of an increase in the number of contracts of commercial activities we secured in 2021, and (iv) adjustments for non-cash items, mainly including the interest expenses on redemption liabilities of approximately RMB40.5 million and the fair value losses on financial assets at fair value through profit or loss of approximately RMB12.8 million. The net cash inflow was partially offset by (i) income taxes paid of approximately RMB90.6 million, and (ii) an increase in trade receivables of approximately RMB28.8 million, as a result of our growing business.

Our net cash generated from operating activities was RMB425.5 million in 2020. This net cash inflow was primarily attributable to (i) profit before income tax of approximately RMB392.5 million, (ii) an increase in contract liabilities of approximately RMB99.0 million, as a result of an increase in the number of contracts of commercial activities we secured in 2020, and (iii) adjustments for non-cash items, mainly including the fair value losses on financial assets at fair value through profit or loss of approximately RMB17.7 million, net impairment loss on financial assets of RMB9.0 million and depreciation of right-of-use assets of approximately RMB6.5 million. The net cash inflow was partially offset by (i) income taxes paid of approximately RMB57.5 million, (ii) an increase in trade receivables of approximately RMB35.5 million, primarily due to an increase in our revenue as a result of our business expansion and (iii) an increase in deposits, prepayments and other receivables of approximately RMB7.1 million, reflecting our business growth.

Our net cash generated from operating activities was RMB254.0 million in 2019. This net cash inflow was primarily attributable to (i) profit before income tax of approximately RMB169.2 million, (ii) an increase in trade payables of approximately RMB39.7 million, reflecting our expansion of business, (iii) an increase in other payables and accruals of approximately RMB17.9 million, and (iv) adjustments for non-cash items, mainly including the fair value losses on financial assets at fair value through profit or loss of approximately RMB42.8 million, amortization of intangible assets of approximately RMB32.3 million, share of results of investments accounted for using the equity method of approximately RMB9.2 million and depreciation of right-of-use assets of approximately RMB6.7 million. The net cash inflow was primarily offset by (i) income taxes paid of approximately RMB53.7 million, and (ii) a decrease in contract liabilities of approximately RMB11.3 million.

Investing Activities

During the Track Record Period, our cash outflow from investing activities mainly relates to (i) purchases of property, plant and equipment, (ii) purchases of investment properties, (iii) purchases of intangible assets, (iv) payments for financial assets at fair value through profit or loss, (v) payments for investments accounted for using the equity method and (vi) advance of loans to third parties; while our cash inflow from investing activities mainly comprises (i) proceeds from disposals of financial assets at fair value through profit or loss and (ii) repayment from loans to third parties and a related party.

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Our net cash generated from investing activities was approximately RMB136.4 million in the four months ended April 30, 2022. This net cash inflow was primarily due to the proceeds from disposals of financial assets at fair value through profit or loss of RMB162.1 million primarily in relation to disposal of wealth management products and repayment from loans to third parties and a related party of RMB21.9 million in relation to the repayments of loans to the two private media companies and Nice Future, which was partially offset by (i) payments for financial assets at fair value through profit or loss of RMB34.6 million primarily in relation to our new investments in unlisted equity securities and a listed equity security, (ii) payments for investments accounted for using the equity method of RMB10.0 million primarily in relation to our investments in Candy Cosmetics.

Our net cash used in investing activities was approximately RMB258.7 million in 2021. This net cash outflow was primarily due to (i) payments for financial assets at fair value through profit or loss of RMB1,456.4 million primarily in relation to purchases of wealth management products, and (ii) purchases of property, plant and equipment of RMB12.4 million for purchase of equipment when moving to our new office building. This net cash outflow was partially offset by proceeds from disposals of financial assets at fair value through profit or loss of RMB1,208.3 million primarily in relation to disposals of wealth management products.

Our net cash used in investing activities was approximately RMB161.2 million in 2020. This net cash outflow was primarily due to payment for financial assets at fair value through profit or loss of RMB1,123.6 million primarily in relation to purchases of wealth management products, which was partially offset by proceeds from disposals of financial assets at fair value through profit or loss of RMB970.3 million primarily in relation to disposals of wealth management products.

Our net cash generated from investing activities was approximately RMB23.5 million in 2019. This net cash inflow was primarily due to the proceeds from disposals of financial assets at fair value through profit or loss of RMB1,228.3 million primarily in relation to disposals of wealth management products, which was partially offset by (i) payments for financial assets at fair value through profit or loss of RMB1,076.6 million primarily in relation to purchase of wealth management products, (ii) purchases of property, plant and equipment and investment properties of RMB118.7 million primarily in relation to the office building purchased in 2019 in Korea.

Financing Activities

During Track Record Period, our cash inflow from financing activities comprises proceeds from borrowings, capital injection by non-controlling interests and proceeds from issuance of convertible preferred shares; while our cash outflow from financing activities mainly comprises dividends paid to the then shareholders of Yuehua Limited and shareholders of our Company, payment for lease liabilities, repayment of borrowings and payment for listing expenses.

Our net cash used in financing activities was approximately RMB72.2 million in the four months ended April 30, 2022. This net cash outflow was primarily due to (i) effect of reorganization in respect of the acquisition of a company comprising our Group of RMB402.3 million and (ii) the dividends of RMB197.3 million paid by our Company to our shareholders in March 2022, which was partially offset by proceeds from issuance of convertible preferred shares of RMB544.8 million we received in the four months ended April 30, 2022.

Our net cash used in financing activities was approximately RMB353.3 million in 2021. This net cash outflow was primarily due to (i) effect of reorganization in respect of the acquisition of a

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company comprising our Group of RMB344.6 million and (ii) payment for listing expenses of RMB5.2 million, which was partially offset by a capital injection of RMB2.6 million by a non-controlling shareholder of certain of our subsidiaries.

Our net cash used in financing activities was approximately RMB230.4 million in 2020. This net cash outflow was primarily due to (i) dividends of RMB201.9 million paid by Yuehua Limited to its then shareholders in 2020 and (ii) the repayment of borrowings of RMB21.2 million, which were partially offset by a capital injection of RMB5.4 million from a non-controlling shareholder of certain of our subsidiaries.

Our net cash generated from financing activities was approximately RMB36.9 million in 2019. This net cash inflow was primarily due to proceeds from borrowings of RMB73.8 million, which was partially offset by (i) repayment of borrowings of RMB30.6 million and (ii) payment for lease liabilities (principal and interest) of RMB5.8 million.

Working Capital Sufficiency

Our anticipated cash needs include costs associated with the expansion of our business operations. Other than the bank borrowings that we may obtain, we do not have any plans for material external debt financing in the foreseeable future. Taking into account the financial resources available to us, including cash flow from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

INDEBTEDNESS

During the Track Record Period, our indebtedness mainly consisted of borrowings, lease liabilities, redemption liabilities, loan from third parties and related parties, and financial liabilities at FVPL.

The table below sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of April 30,	As of
	2019	2020	2021	2022	June 30, 2022
	(RMB in thousands)				
Current portion					(Unaudited)
Borrowings	—	—	64,322	62,500	61,865
Lease liabilities	4,777	4,314	5,143	5,774	5,103
Loans from a third party and related parties	21,573	—	—	—	—
Redemption liabilities	—	—	123,274	—	—
Financial liabilities at fair value through profit or loss	—	—	—	348,463	353,397
Subtotal	<u>26,350</u>	<u>4,314</u>	<u>192,739</u>	<u>416,737</u>	<u>420,365</u>
Non-current portion					
Borrowings	72,381	71,964	—	—	—
Lease liabilities	5,176	6,542	5,066	4,288	3,382
Redemption liabilities	—	570,995	488,202	—	—
Financial liabilities at fair value through profit or loss	—	—	—	2,092,844	2,122,477
Subtotal	<u>77,557</u>	<u>649,501</u>	<u>493,268</u>	<u>2,097,132</u>	<u>2,125,859</u>
Total	<u>103,907</u>	<u>653,815</u>	<u>686,007</u>	<u>2,513,869</u>	<u>2,546,224</u>

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For details about redemption liabilities, loan from third parties and related parties and convertible preferred shares, see “—Discussion of Selected Items from the Consolidated Statements of Financial Position—Liabilities.”

Borrowings

During the Track Record Period, our borrowings consisted of a secured loan from a Korean bank denominated in KRW for the purchase of Yuehua Korea’s office building in Korea in 2019. The decrease in our borrowings was primarily due to the currency translation differences between KRW and RMB.

The table below sets forth a breakdown of our borrowings as of the dates indicated.

	As of December 31,			As of April 30,	As of
	2019	2020	2021	2022	June 30,
	(RMB in thousands)				2022
					(Unaudited)
Current					
Bank borrowings	—	—	64,322	62,500	61,865
Non-current					
Bank borrowings	72,381	71,964	—	—	—
Total⁽¹⁾	<u>72,381</u>	<u>71,964</u>	<u>64,322</u>	<u>62,500</u>	<u>61,865</u>

Note:

(1) As of June 30, 2022, the bank borrowings were denominated in KRW, and secured by certain property, plant and equipment and investment properties with floating interest rates. These bank borrowings are due on September 30, 2022.

The table below sets forth the repayment terms of our bank borrowings as of the dates indicated.

	As of December 31,			As of April 30,	As of
	2019	2020	2021	2022	June 30,
	(RMB in thousands)				2022
					(Unaudited)
Within 1 year	—	—	64,322	62,500	61,865
1 to 2 years	—	71,964	—	—	—
2 to 5 years	72,381	—	—	—	—
Total	<u>72,381</u>	<u>71,964</u>	<u>64,322</u>	<u>62,500</u>	<u>61,865</u>

Lease Liabilities

During the Track Record Period, our lease liabilities mainly consisted of the unpaid portion of lease payments for our leases of offices and motor vehicles.

The table below sets forth a breakdown of our lease liabilities as of the dates indicated.

	As of December 31,			As of April 30,	As of
	2019	2020	2021	2022	June 30,
	(RMB in thousands)				2022
					(Unaudited)
Current	4,777	4,314	5,143	5,774	5,103
Non-current	5,176	6,542	5,066	4,288	3,382
Total	<u>9,953</u>	<u>10,856</u>	<u>10,209</u>	<u>10,062</u>	<u>8,485</u>

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Indebtedness Statement

Our Directors confirm that there has not been any material adverse change in our indebtedness since June 30, 2022, being the latest practicable date for the purpose of our indebtedness statement, to the date of this prospectus. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the date of this prospectus. As of the Latest Practicable Date, we did not have plans for other material external debt financing.

Except as disclosed above, we did not have, as of June 30, 2022, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities. We did not have unutilized bank loan facility as of the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2019, 2020 and 2021 and April 30, 2022 and June 30, 2022, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of expenditures on property, plant and equipment, investment properties and intangible assets. Our capital expenditures were RMB126.7 million, RMB3.5 million, RMB12.4 million and RMB2.1 million in 2019, 2020 and 2021 and the four months ended April 30, 2022, respectively. We intend to fund our planned capital expenditures through a combination of the net proceeds from the Global Offering as well as cash generated from our operations. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us and changes in the regulatory environment in the PRC. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

CAPITAL COMMITMENTS

Our capital commitments are mainly in relation to property, plant and equipment, intangible assets and investments accounted for using the equity method. As of December 31, 2019, 2020 and 2021 and April 30, 2022, we had significant capital expenditure contracted for but not recognized as liabilities of RMB2.0 million, RMB5.7 million, RMB12.7 million and RMB0.6 million, respectively.

DIVIDENDS

Prior to the Track Record Period, our subsidiary, Yuehua Limited, declared dividends to its then shareholders, among which approximately RMB1.9 million were paid in 2020 and the others were fully paid before the Track Record Period. In October 2020, Yuehua Limited declared dividends in an aggregate amount of RMB200.0 million to its shareholders pursuant to the laws of PRC. In March 2022, our Company declared dividends to both holders of ordinary shares and holders of convertible preferred shares in an aggregate amount of approximately US\$63.0 million (equivalent to

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approximately RMB399.3 million), which were fully settled and paid in March 2022. Such dividends were approved by our Board and Shareholders. As advised by our legal advisor on Cayman Islands law, under the Companies Act and subject to our Articles of Association, a position of net liabilities does not necessarily restrict us to pay dividends to our Shareholders as dividends may be paid out of our share premium account, provided that immediately following the date on which the dividend is paid, our company shall be able to pay its debts as they fall due in the ordinary course of business. We believe that we would be able to pay the debts as they fall due in the ordinary course of business immediately after the payment of dividends declared in March 2022, considering: (i) the declaration of dividends, among others, was approved by our Board of Directors who had reviewed the management accounts and obtained sufficient information about our Company to make informed decisions; (ii) the convertible preferred shares issued in January 2022 will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares upon our Listing and we expect to be no longer in a net liabilities position immediately after such conversion; and (iii) we would have sufficient cash and cash equivalents to repay or settle our debts other than the financial liabilities at fair value through profit or loss consisting of the convertible preferred shares when they become due in the ordinary course of business. We believe that the distribution of these dividends will not have a material impact on the sufficiency of our working capital after the Listing and we will be able to maintain sufficient funds to meet our working capital requirements and debt obligations. Our historical declarations of dividends may not reflect our future declarations of dividends.

The decision on whether to pay dividends will be made at the discretion of our Directors and will depend primarily upon the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. We will evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

Our Company in general meeting may from time to time by ordinary resolution declare dividends in any currency to be paid to the shareholders but no dividend shall be declared in excess of the amount recommended by the Board, provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. We are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, dividends may be declared and paid out of our share premium account, provided that our Company satisfies the solvency test set out in the Cayman Companies Act. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our subsidiaries, including our PRC companies. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

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DISTRIBUTABLE RESERVES

As of April 30, 2022, our Company did not have any retained profits as reserves available for distribution to its equity shareholders.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios as of the dates or for the periods indicated.

	For the year ended or as of December 31,			For the four months ended or as of April 30,	
	2019	2020	2021	2021	2022
Gross profit margin	44.3%	53.5%	46.6%	52.4%	44.1%
Net profit margin	18.9%	31.7%	26.0%	32.4%	22.8%
Adjusted net profit margin (non-IFRS measure)	18.9%	32.1%	30.6%	36.3%	36.2%
Return on equity ⁽¹⁾	30.2%	N/A ⁽²⁾	N/A ⁽²⁾	N/A	N/A ⁽⁷⁾
Return on assets ⁽⁴⁾	14.0%	27.3%	23.5%	N/A	N/A ⁽⁷⁾
Current ratio ⁽⁵⁾	1.9	2.0	1.8	N/A	1.2
Gearing ratio ⁽⁶⁾	22.8%	N/A ⁽²⁾	214.7%	N/A	N/A ⁽³⁾

Notes:

- (1) Return on equity is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total equity of the same period and multiplied by 100%.
- (2) Return on equity is not applicable because we recorded a total deficit 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.
- (3) Gearing ratio is not applicable as of April 30, 2022 because we recorded a total deficit as of April 30, 2022, primarily due to the recognition of convertible preferred shares we issued on January 28, 2022 as financial liabilities at fair value through profit or loss.
- (4) Return on assets is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total assets of the same period and multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities as of the dates indicated.
- (6) Gearing ratio is calculated based on total debt divided by total equity as of the dates indicated and multiplied by 100%.
- (7) Ratios are not calculated for the four months ended April 30, 2022 because the numbers for the period is not comparable to the numbers for the year.

Return on Equity

Our return on equity was 30.2% in 2019. We did not record return on equity in 2020 primarily because we recorded a total deficit of RMB13.5 million as of December 31, 2020 mainly due to recognition of redemption liabilities and there was no closing balance of total equity for 2020. The redemption liabilities were derecognized as of January 31, 2022, and relevant convertible preferred shares were recognized as financial liabilities measured at fair value through profit or loss. We did not record return on equity in 2021 because we recorded a total deficit of RMB13.5 million as of December 31, 2020 and there was no opening balance of total equity for 2021. We recorded a total equity of RMB319.6 million as of December 31, 2021 primarily due to an increase in our profit for the year of 2021.

Return on Assets

Our return on assets increased from 14.0% in 2019 to 27.3% in 2020, primarily due to a substantial increase in our profit for the year from 2019 to 2020. Our return on assets decreased from 27.3% in 2020 to 23.5% in 2021, primarily due to a substantial increase in our total assets as of December 31, 2021, as compared to our total assets as of December 31, 2020.

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Current Ratio

Our current ratio was 1.9, 2.0 and 1.8 as of December 31, 2019, 2020 and 2021, which remained relatively stable. Our current ratio decreased to 1.2 as of April 30, 2022, primarily due to a decrease in our current assets which outpaced a decrease in our current liabilities as of April 30, 2022. For detailed discussion, see “—Liquidity and Capital Resources—Current Assets and Current Liabilities.”

Gearing Ratios

Our gearing ratio was 22.8% as of December 31, 2019. We did not record the gearing ratio as of December 31, 2020 primarily because we recorded a total deficit of RMB13.5 million as of December 31, 2020, mainly due to recognition of redemption liabilities. Our gearing ratio was 214.7% as of December 31, 2021, primarily due to an increase in total debt in relation to the redemption liabilities recognized. We did not record the gearing ratio as of April 30, 2022, primarily because we recorded a total deficit of RMB1,776.2 million as of April 30, 2022, mainly due to the recognition of convertible preferred shares we issued on January 28, 2022 as financial liabilities at fair value through profit or loss.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including foreign exchange risk, fair value interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, see Note 3.1 to the Accountant’s Report in Appendix I to this prospectus.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our Group entities’ functional currency. The functional currency of our Company is HKD whereas functional currency of our subsidiaries operate in the PRC is RMB. Our Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

Our Group’s PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets and liabilities denominated in USD whereas their functional currency is RMB. For the years ended December 31, 2019, 2020 and 2021 and four months ended April 30, 2022, if USD had strengthened or weakened by 5% against RMB with all other variables held constant, the profit for the years ended December 31, 2019, 2020 and 2021 and four months ended April 30, 2022 would have been approximately RMB423,000, RMB359,000, RMB279,000 and RMB28,000 lower or higher.

Fair Value Interest Rate Risk

Our interest rate risk arises from borrowings. Borrowings issued at floating rates expose us to cash flow interest rate risk. Borrowings at fixed rates expose us to fair value interest rate risk.

We have no significant interest-bearing assets. Hence, our Directors do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly. For further information relating to our interest rate risk, see Note 3.1 to the Accountant’s Report in Appendix I to this prospectus.

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Credit Risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, trade and other receivables and amounts due from shareholders.

For further information relating to our credit risk, see Note 3.1 to the Accountant's Report in Appendix I to this prospectus.

INVESTMENT PROPERTIES AND VALUATION OF INVESTMENT PROPERTIES

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, valued our property interests in the Korean Property as at May 31, 2022 at RMB129.6 million. Details of the valuation are summarized in Appendix III to this prospectus.

As required under Rule 5.07 of the Listing Rules, a reconciliation between the net book value of the Korean Property as at April 30, 2022 as extracted from the Accountant's Report set out in Appendix I to this prospectus and the property valuation report set out in Appendix III to this prospectus as at May 31, 2022 is set out below:

	<u>(RMB in thousands)</u>
Net book value of the Korean Property as at April 30, 2022	98,499
Less: depreciation and foreign exchange differences during the period from May 1, 2022 to May 31, 2022	<u>(2,292)</u>
Net book value of the Korean Property as at May 31, 2022	96,207
Net valuation surplus	<u>33,393</u>
Valuation of the Korean Property as at May 31, 2022 as set out in the property valuation report set out in Appendix III to this prospectus	<u>129,600</u>

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

SIGNIFICANT RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into various related party transactions. For more details about our related party transactions, see Note 36 to the Accountant's Report in Appendix I to this prospectus and "Relationship with the Controlling Shareholders."

Our Directors believe that each of the related party transactions set out in Note 36 to the Accountant's Report in Appendix I to this prospectus was conducted on an arm's length basis and would not distort our track record results or make our historical results not reflective of our future performance.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the

FINANCIAL INFORMATION

Global Offering are approximately RMB97.7 million, representing 11.2% of the gross proceeds from the Global Offering, comprising (i) underwriting-related expenses of RMB35.5 million, including commissions and fees; and (ii) non-underwriting-related expenses of RMB62.2 million, including (a) fees and expenses of legal advisors and the Reporting Accountant of RMB32.5 million; and (b) other fees and expenses of RMB29.7 million. During the Track Record Period, we incurred listing expenses of RMB30.6 million, among which RMB24.5 million was charged to the consolidated statements of profit or loss in 2021 and the four months ended April 30, 2022 as administrative expenses and approximately RMB6.1 million (listing expenses directly attributable to the issue of Shares) will be deducted from equity upon successful Listing. We expect to incur additional listing expenses of approximately RMB67.1 million, of which approximately RMB30.6 million is expected to be recognized as administrative expenses and approximately RMB36.5 million (listing expenses directly attributable to the issue of Shares) is expected to be recognized as a deduction in equity directly upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of our Group have been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the equity holders of our Company as of April 30, 2022 as if the Global Offering had taken place on April 30, 2022.

	Audited consolidated net tangible liabilities attributable to the equity holders of our Company as of April 30, 2022 ⁽¹⁾	Estimated impact related to the conversion of convertible preferred shares upon Listing ⁽²⁾	Estimated net proceeds from the Global Offering ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company as of April 30, 2022	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾⁽⁶⁾	
	RMB '000	RMB '000	RMB '000	RMB '000	RMB	HK\$
Based on an Offer Price of						
HK\$6.80 per Share	(1,788,221)	2,441,307	705,955	1,359,041	1.61	1.87
Based on an Offer Price of						
HK\$8.50 per Share	(1,788,221)	2,441,307	892,011	1,545,097	1.83	2.13

Notes:

- (1) The audited consolidated net tangible liabilities of our Group attributable to the equity holders of our Company as at April 30, 2022 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of our Group attributable to the equity holders of our Company as at April 30, 2022 of approximately RMB1,783,405,000, with adjustment for intangible assets attributable to the equity holders of the Company as at April 30, 2022 of approximately RMB4,816,000.
- (2) Upon the Listing and the completion of the Global Offering, all the convertible preferred shares will be automatically converted into ordinary shares. These convertible preferred shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information the unaudited pro forma net tangible assets attributable to the owners of the Company will be increased by RMB2,441,307,000, being the carrying amounts of the convertible preferred shares as of April 30, 2022.
- (3) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$6.80 and HK\$8.50 per share, being the low and high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB24,492,000 which have been accounted for in the consolidated statements of comprehensive income of our Group prior to April 30, 2022) paid/payable by our Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital."
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 845,060,000 Shares were in issue, assuming that the Global Offering and Capitalization Issue have been completed on

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April 30, 2022 but takes no account of (i) the 37,500,000 Shares (after taking into account of the effect of the Capitalization Issue) issued pursuant to the Share Incentive Plan that are subject to vesting conditions; and (ii) any Shares which may be issued or repurchased by our Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed “Share Capital.”

- (5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to April 30, 2022. In particular, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to the Directors for issue or allotment of Shares as described in “Share Capital”.
- (6) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.1624. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (7) The property interests of our Group as of May 31, 2022 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer. By comparing the valuation of our Group’s property interests of approximately RMB129,600,000 as set out in Appendix III to this prospectus and the unaudited carrying amounts of these properties of approximately RMB96,207,000 as of May 31, 2022, the valuation surplus was approximately RMB33,393,000, as of May 31, 2022 which was not reflected in the net tangible liabilities of our Group as of April 30, 2022. The revaluation surplus will not be incorporated in our Group’s consolidated financial statements. If the revaluation surplus was recorded in our Group’s consolidated financial statements, the annual depreciation of our Group for the year ending December 31, 2022 would increase by approximately RMB835,000.

The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of April 30, 2022 or any future date.

SUBSEQUENT EVENTS

See “—Impact of COVID-19.”

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in financial and trading positions or prospects of our Group since April 30, 2022, being the date on which our latest audited consolidated financial statements were prepared, and there has been no event since April 30, 2022 which would materially affect the information in the Accountant’s Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

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

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised):

Assuming an Offer Price of HK\$7.65 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	HK\$900.5 million
Assuming an Offer Price of HK\$8.50 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	HK\$1,008.7 million
Assuming an Offer Price of HK\$6.80 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	HK\$792.4 million

We intend to use the net proceeds as set forth below (based on the mid-point of the Offer Price range stated in this prospectus):

- Approximately 40.0%, or HK\$360.2 million, will be used for continuing to invest in our artist operation. According to Frost & Sullivan, the size of the artist management market in China is expected to grow rapidly from RMB52.3 billion in 2020 to RMB102.5 billion in 2025, at a CAGR of 14.4% between 2020 and 2025. To capture opportunities in the fast-expanding artist management market, we intend to enhance our artist training and operation capabilities by procuring better training facilities and strengthening our faculty for our trainees and managed artists. We also intend to expand the scale of our artist promotion in China.
- (i) Approximately 24.0%, or HK\$216.1 million, will be used for the purchase and renovation of an artist training center in China, which will be used to provide our trainees and managed artists with customized training facilities and a pleasant training environment.

With the expansion of our business and the growing market demand for professional artists, a stable pipeline of well-trained, talented artists is critical to our business success. To ensure that we can continuously train and promote high-quality artists, we intend to provide our trainees and managed artists with systematic training programs, customized training facilities, and safe and comfortable training conditions. However, few training facilities for rent can meet our requirements and they may incur additional costs as we need to install acoustic panels and other professional equipment. In addition, as a result of the COVID-19 pandemic, we cannot predict when and how the international travel restrictions will be eased or lifted, which prevents us from safely sending our trainees and managed artists to our artist training center overseas.

The purchase of an artist training center in mainland China could substantially cut down our costs arising from international travel and health protection, and enhance the efficiency of our training programs. We intend to select the location for our new artist training center based on a comprehensive evaluation of the location, area, zoning requirements by local authorities and surrounding environments of the properties available. Whether a property can offer us sufficient space is our most

FUTURE PLANS AND USE OF PROCEEDS

important consideration, as we plan to provide our artists and trainees with easy access to different types of courses and training activities without the need to commute. The property should also provide our employees with enough office space for our daily operation. Accessibility to public transport is another aspect we will consider. We prefer to choose a location which enables easy communication to airports, railway stations and highways. Furthermore, we prefer locations which are of a reasonable distance from residential buildings to keep our professional training undisturbed. We plan to purchase a property in a major city in mainland China and renovate it into our artist training center. We will purchase and install training equipment and furnishings, including but not limited to soundproof furnishings and musical instruments.

Based on our initial search and sites visit, we plan to choose a location in the commercial district of Chaoyang District, Beijing. We plan to further narrow down our search and choose a location (a) with sufficient parking lots and in close proximity to large grocery stores, which are necessary for the daily operation of the artist training center, (b) has high-quality property management and security services, to keep our managed artists and trainees undisturbed during training and protect their privacy and security, (c) has available space of a gross floor area of approximately 6,000 square meters, to provide enough space for our training, music production and photo shooting activities, and (iv) in or close to cultural industry park to facilitate our exploration of potential business cooperation. As advised by Frost & Sullivan, there are sufficient locations in Chaoyang District, Beijing, that satisfy the above criteria.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth an expected timeline for our purchase and renovation of the artist training center:

Year	Estimated use of proceeds	Expected Timeline	Regulatory approval required	Hiring plan
2023	Approximately 2.4% or HK\$21.6 million	(a) identify the property to be purchased; (b) sign the purchase agreement; and (c) make the down payment for the purchase	As advised by our PRC Legal Advisor, we need to obtain the Building Permit (建築工程施工許可證) for the construction and renovation of our artist training center if the size of the center exceeds 300 square meters or will incur a renovation cost of RMB300,000 or above.	We do not expect to hire additional instructors or staff for the artist training center, other than our hiring plan in connection with our expansion plan of our Yuehua trainee program. The expected salaries for the instructors to be hired, either on a full-time or part-time basis, is approximately HK\$7.0 million per year.
2024	Approximately 16.8% or HK\$151.3 million	(a) make the full payment for the purchase; (b) complete space planning and design, which is expected to take approximately three to five months; and (c) initiate the interior construction and renovation work, which is expected to take approximately 12 to 15 months	As advised by our PRC Legal Advisor, there is no legal impediment for us to obtain the Building Permit, when applicable, as such permit is a normal procedure for construction and renovation work. Once we determine the exact location, we will follow relevant laws and regulations to finish the corresponding filing and approval process.	
2025	Approximately 4.8% or HK\$43.2 million	(a) complete the construction and renovation work; (ii) equip the center with furniture and musical equipment, and finish equipment testing, which is expected to take three to four months		

- (ii) Approximately 11.0%, or HK\$99.1 million, will be used for artist operation and promotion in China. We plan to enhance our efforts in promoting our established and newly debuted artists to provide them with more public exposure and enhance their market recognition in China. We plan to comprehensively improve our artist operation and promotion capabilities, and enhance the popularity of our existing managed artists. In addition, it is estimated that 30 to 50 trainees will graduate from our Yuehua trainee program and debut as our managed artists within the next three years. We intend to facilitate their debut and increase their popularity through promoting their musical works and the movies, drama series and variety programs in which they played a role, as well as arranging offline entertainment events in China, for the debutants.
- (iii) Approximately 5.0%, or HK\$45.0 million, will be used to expand our trainee program. We plan to enhance our efforts in identifying and recruiting more talented candidates to expand our trainee program. We will increase the frequency and scale of our trainee auditions and establish more audition channels to reach a larger population. Concurrently, we plan to hire more instructors with extensive professional experience, particularly in the areas of vocal, dancing, performing and physical training, both from China and overseas. We plan to strengthen our faculty

FUTURE PLANS AND USE OF PROCEEDS

and provide diverse and balanced curricula for our trainees. We will continue to fund trainees' expenses for training classes, accommodation, and domestic and international travels during their trainee period, to ensure that they can focus on their training.

- Approximately 20.0%, or HK\$180.1 million, will be used to expand our music IP library.
 - (i) Approximately 11.0%, or HK\$99.1 million, will be used for the investment in our music IP library. We plan to expand our music IP library through obtaining music copyright licenses to capture the opportunities of the rapid development of the digital music market in China.

We expect the profit potential of music IPs to increase as a result of improvements in copyright protection for music industry in China. According to Frost & Sullivan, as China continues to regulate the licensing and sub-licensing of music content, the music copyright licensing market is expected to increase from approximately RMB18.2 billion in 2020 to approximately RMB47.4 billion in 2025, at a CAGR of 21.1% between 2020 and 2025. As the use of music IPs in the production of variety programs and concerts have been increasingly regulated by the copyright law, we believe we can expand our customer base and generate higher revenue from licensing our music IPs. In addition, as State Administration for Market Regulation (國家市場監督管理總局) in China issued Decision on certain major digital streaming platforms to relinquish exclusive deals held with its suppliers (《市場監管總局作出責令解除網絡音樂獨家版權等處罰》) against market monopoly in music industry in 2021, we expect the profit potential of music IPs to further increase.

We plan to obtaining music copyright licenses in a wide spectrum of music genres, including pop, ballad, electronic dance, hip hop and rock. Specifically, we will focus on (a) published musical works that have high popularity; (b) musical works from copyright holders with whom we have collaborated in the past; (c) unpublished musical works from accomplished composers or lyricists; and (d) musical works in styles or genres that are different from and complementary to our existing musical works. The expected cost of the musical works we planned to obtain is approximately RMB31.0 million per year.

- (ii) Approximately 9.0%, or HK\$81.0 million, will be used for the in-house production of musical works for our artists. According to Frost & Sullivan, the size of the digital music market in China is expected to increase from approximately RMB38.7 billion in 2020 to reach approximately RMB151.3 billion in 2025 at a CAGR of 31.4% between 2020 and 2025, driven by people's increasing willingness to purchase digital music content. Under this trend, musical works have become one of the most important channels for our managed artists to present their artistic talent to the public and reach their target audience. Through producing digital singles and albums that are tailored for the artists' artistic tastes and reflecting the latest music trends, we help enhance their public exposure and commercial value. We plan to improve our music production capabilities through increasing our investment in the production of music videos, and upgrading our music production equipment, post-production editing technologies and music video production technologies.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 15.0%, or HK\$135.1 million, will be used to invest in and acquire businesses or assets which are in line with our growth strategies, or can create synergy for our business. In choosing target companies, we will consider multiple factors such as the industry that the target operates in, the target's past financial performance and management experience and continuity.

Specifically, in selecting targets, we will consider the factors below and expect a suitable target to satisfy one or more of them: (i) key employees of the target company have at least five years of experience in the relevant industry and the target company has completed more than ten business projects per year; (ii) the target company has prior collaboration with us, with a historical transaction value of RMB5.0 million or above, or has collaborated with us for more than five times in a period of three years; (iii) the target company historically generates revenue of more than RMB10.0 million per year; or (iv) the target company has completed one or more business project with a contract value of RMB100 million or above, if the target company is in emerging industries such as virtual artist operation.

- (i) Approximately 4.5%, or HK\$40.5 million will be used for investment or acquisition of music companies, studios and other entertainment content and event companies.

We plan to invest in companies or studios with strong music production capabilities, as well as entertainment content production companies and entertainment event companies, mainly as minority investors. We expect such investment will create more opportunities for our managed artists to participate in the production of high-quality entertainment content. Investment in music production companies or studios will strengthen our music production capabilities and allow us to produce more quality musical works for our managed artists, which are an important channel for them to reach the target audience. Investment in engaged in entertainment content and entertainment events will allow us to organize more concerts and other entertainment events, increasing the public exposure of our artists and enhancing the commercial value of our music IPs.

- (ii) Approximately 10.5%, or HK\$94.6 million will be invested in the development of virtual artists. According to F&S, virtual artists have become prevalent in recent years, as it is common for them to perform alongside real-life artists on stage and to attend various online and offline events like real-life artists. Virtual artists have been increasingly engaged for various commercial activities, such as brand endorsements, live streaming events, live concerts and offline marketing campaigns. See "Industry Overview—The Virtual Artists Market in China" for more details. As virtual artists have lower management costs and more application scenarios, we plan to continuously increase our investment in the virtual artist business and explore more virtual artist companies with investment potentials, expanding our footprint in the virtual artist market.

We plan to develop our virtual artist business mainly in the form of minority investment, instead of setting up our own team to design, launch or operate virtual artists. We may be involved in producing musical works for virtual artists and promoting the artists, which we have prior experience. We plan to invest in virtual artists, both male and female, mostly in the form of virtual artist groups that give musical performance and can be featured in various online entertainment activities. The number of virtual artists to be launched, as well as the estimated cost is

FUTURE PLANS AND USE OF PROCEEDS

dependent on the business plan of the invested companies. As our footprint in the virtual artist market expands, we may also consider acquiring companies in the virtual artist industry.

As of the Latest Practicable Date, we had not identified or pursued any strategic investment or acquisition target and had not set any definitive investment or acquisition timeframe. As advised by Frost & Sullivan, the competitive landscapes of music content production companies, entertainment content production companies, entertainment event companies and virtual artist companies, are relatively fragmented. There are plenty of companies in the market with different capabilities, business portfolio and business scale. Therefore, there are ample suitable targets for strategic alliances, investments and acquisitions in China, according to Frost & Sullivan. We will leverage our industry resources and network and continue to monitor the market conditions. We may also engage financial and legal advisors to explore and evaluate, from time to time, potential acquisition opportunities when they arise.

As we plan to carry out our investment mainly as minority investors and in a longer time-frame, we do not expect such investment to have any material adverse impact on our business operation or financial performance.

- Approximately 10.0%, or HK\$90.0 million, will be used for expanding our pan-entertainment business. According to Frost & Sullivan, the pan-entertainment market in China is expected to grow rapidly from approximately RMB555.9 billion in 2020 to reach approximately RMB1,334.8 billion in 2025, at a CAGR of 19.1% between 2020 and 2025, driven by rising disposable income level and people's consumption on entertainment activities.
 - (i) Approximately 8.0%, or HK\$72.0 million, will be used to lease and build Yuehua-themed, multi-functional entertainment center, to provide visitors with interactive entertainment experiences onsite, and increase the influence and popularity of our Yuehua brand. Providing onsite entertainment experiences is an important way for our target audience to interact with our managed artists and get to know our Yuehua brand better. In our Yuehua-themed entertainment center, we plan to build YH theater, YH museum, YH gift shops, and YH cafés and themed restaurants. In YH theater, we will offer certain artistic training lessons to people who are interested in performing art. YH theater will also be used to hold offline entertainment events where our managed artists can interact with the visitors. YH museum will present the establishment and development history of our Company, as well as milestones during our managed artists and artist groups' art performing art career. In YH gift shops, visitors can purchase physical albums we produced for our managed artists as well as photobooks, calendars, fashion items, poster cards and other artist-related merchandise. YH café and themed restaurants will provide fun and memorable dining experiences to diners, with themes in relation to our managed artists and their works.

When choosing the location for our Yuehua-themed entertainment center, after initial search and site visits, we plan to choose a location in the commercial districts of Chaoyang district or Haidian district of Beijing for our first Yuehua-themed entertainment center. We expect that the location (i) is in proximity to landmarks or situated in large commercial complex, and (ii) can be conveniently reached through

FUTURE PLANS AND USE OF PROCEEDS

public transport. As advised by Frost & Sullivan, there are sufficient locations in Chaoyang District and Haidian districts that satisfy the above criteria.

The following table sets forth a detailed expected timeline for our lease and renovation of the Yuehua – themed entertainment center:

Year	Estimated use of proceeds	Expected Timeline	Regulatory approval required	Hiring plan
2022	Approximately 1.6% or HK\$14.4 million	(a) identify the property to be leased and sign lease agreement; (b) commence planning, design and interior construction and renovation, which is expected to take approximately six to eight months; (c) complete the construction and renovation work and launch the first Yuehua-themed entertainment center;	As advised by our PRC Legal Advisor, we need to obtain the Building Permit (建築工程施工許可證) for the construction and renovation of our Yuehua-themed entertainment center if the size of the center exceeds 300 square meters or will incur a renovation cost of RMB300,000 or above. As advised by our PRC Legal Advisor, there is no legal impediment for us to obtain the Building Permit, when applicable, as such permit is a normal procedure for construction and renovation work. Once we determine the exact location, we will follow relevant laws and regulations to finish the corresponding filing and approval process.	We plan to hire approximately ten to 12 employees for the operation of our first Yuehua-themed entertainment center, with an average salary of approximately RMB8,000-12,000 per month per person, upon the completion of the renovation. The actual number of employees to be hired for the operation of the center and their expected salary will depend on the size of the center and the operational need.
2023	Approximately 3.2% or HK\$28.8 million	(a) commence preparation of the second center, including identifying location, planning and design, construction and renovation, which is expected to take approximately eight to ten months; (b) launch the second Yuehua-themed entertainment center (c) continuously make lease payment		
2024	Approximately 3.2% or HK\$28.8 million	Continuously make lease payment		

(ii) Approximately 2.0%, or HK\$18.0 million, will be used to increase our investment in Yuehua family concerts and small-scale concert tours.

- Approximately 5.0%, or HK\$45.0 million, will be used to promote our artist performance in other countries.

(i) Approximately 4.0%, or HK\$36.0 million, will be invested in Yuehua Korea to enhance its market competitiveness, and improve its artist training, promotion and operation capabilities, including its capabilities to promote artist groups and produce musical works. We will follow relevant laws, regulations and market practices in Korea and obtain the necessary licenses. For details, see “Regulations—Laws and Regulations in Relation to Our Business in Korea.”

FUTURE PLANS AND USE OF PROCEEDS

- (ii) Approximately 1.0%, or HK\$9.0 million, will be used to promote our managed artists and the works in which they performed in overseas market. We plan to expand our footprints in southeast Asia, the United States and Japan, and enhance our brand influence internationally through bringing popular culture in China to overseas audience. We will secure more opportunities for our managed artists to participate in concerts and other entertainment events overseas, increase our marketing and promotional efforts, and publish musical works that are tailored for the overseas listeners in these markets.

We plan to promote our artists and pursue business opportunities in these overseas markets mainly through overseas media channels and entertainment event companies. For example, we plan to carry out promotional campaigns and publish musical works for our managed artists through setting up accounts on online video and social media platforms overseas, such as TikTok and YouTube. We will design and produce promotional content that is tailored for the overseas markets and deliver them to the target audience through overseas media channels. According to Frost & Sullivan, our plan to promote our managed artists through setting up accounts on overseas media channels without entering into commercial negotiation with the media channels is in line with the industry norm. We also plan to collaborate with overseas entertainment event companies and arrange concerts and other commercial events for our managed artists in the overseas markets. We expect these entertainment events will be carried out either exclusively by the overseas companies or jointly by us and the overseas companies. When we jointly manage such overseas entertainment events, we expect to participate in tasks such as planning the content to be performed, and coordinating our managed artists who will perform in the events. As of the Latest Practicable Date, we had not started discussion with any overseas entertainment event companies. As we do not plan to establish overseas subsidiaries or branches in these markets, we do not expect to hire any employees. We will follow the laws, regulations and market practices and obtain the necessary licenses, if any, in these markets.

- Approximately 10.0%, or HK\$90.1 million, will be used for working capital and general corporate purposes, to support our business operation and growth.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range.

To the extent our net proceeds are either more or less than expected, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the net proceeds of the Global Offering are not immediately applied to the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions in Hong Kong and the PRC (as defined under the Securities and Futures Ordinance, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC). We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is fully exercised, we will receive additional net proceeds of approximately HK\$146.0 million for 19,884,000 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$7.65 per Offer share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by us. The additional amount raised will be applied to the above areas of use of proceeds on pro-rata basis.

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China Securities (International) Corporate Finance Company Limited
China Merchants Securities (HK) Co., Limited
Zhongtai International Securities Limited
CMB International Capital Limited
Guotai Junan Securities (Hong Kong) Limited
Futu Securities International (Hong Kong) Limited
Tiger Brokers (HK) Global Limited
Mouette Securities Company Limited
Livermore Holdings Limited
Eddid Securities and Futures Limited
China Galaxy International Securities (Hong Kong) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of the Hong Kong Underwriting Agreement, this prospectus and the **Green** Application Form.

Subject to (a) the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering on the Main Board as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written notice from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), at any time prior to 8:00 a.m. on the Listing Date if:

- (1) there develops, occurs, exists or comes into effect:
 - (a) any local, national, regional, or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including contagious coronavirus (COVID-19),

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SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms, but excluding such epidemic, pandemic and infectious disease subsisting as of the date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting the Cayman Islands, the BVI, Hong Kong, the PRC, Korea, the United States, the United Kingdom, any member of the European Union or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**” and each, a “**Relevant Jurisdiction**”); or

- (b) any change, or any development involving a prospective change or development in (whether or not permanent), or any event or circumstance or series of events resulting or likely to result in any change or development, or a prospective change or development, in any local, national, regional or international financial, political, military, industrial, fiscal, economic, regulatory, currency, credit, currency or market conditions, or exchange control or any monetary or trading settlement system or other financial markets (including, but not limited to, a change in the conditions in stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or Renminbi is linked to any foreign currency or currencies) in or affecting any of the Relevant Jurisdictions; or
- (c) any moratorium, suspension, limitation or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or
- (d) any general moratorium on commercial banking activities in or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at the U.S. Federal or New York State level or by other competent Authority), London or any other Relevant Jurisdictions (declared by the relevant authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (e) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any Relevant Jurisdiction; or
- (f) any imposition of economic sanctions, or the withdrawal of trading privileges, in respect of any jurisdiction relevant to the business operations of our Group, in whatever form, directly and indirectly, by, or for, any Relevant Jurisdictions; or
- (g) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the U.S. dollar, Euro, Hong

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- Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (h) any litigation, legal action (except for any investigation or other action as stipulated in (i) below) or claim being threatened or instigated against any member of our Group or any Director; or
 - (i) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director; or
 - (j) any Director or senior management member of our Company as named in this prospectus being charged with or found guilty of an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company; or
 - (k) any Director or chief executive officer of our Company vacating his or her office; or
 - (l) save as disclosed in this prospectus, any contravention by any member of our Group or any Director of any applicable laws (including, without limitation, the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance); or
 - (m) a valid prohibition by any competent authority on our Company for whatever reason from offering, allotting, issuing, selling the Offer Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or
 - (n) any change or development involving a prospective change which has the effect of materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
 - (o) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
 - (p) any breach or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties; or
 - (q) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus or the **GREEN** Application Form, (or to any other documents in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC, unless such supplemental or amendment has been issued with the prior consent of the Joint Sponsors; or
 - (r) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition, compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or

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undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

- (s) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters),

- (A) has or will have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations or financial or trading position or condition or performance of the Group as a whole; or
 - (B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering, or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus, the **GREEN** Application Form, the formal notice, the preliminary offering circular or the offering circular; or
 - (D) has or will have or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (2) there has come to the notice of the Joint Global Coordinators as at or after the date of the Hong Kong Underwriting Agreements:
- (a) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any public notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, inaccurate, or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offer Related Documents is not fair and honest, not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission or misstatement from any of the Offer Related Documents; or
 - (c) a prohibition by a relevant authority on the Company for whatever reason from allotting or issuing the Shares (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
 - (d) that any material breach of the obligations or undertakings imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting

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Agreement (other than upon any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, Hong Kong Underwriters or the International Underwriters); or

- (e) any event, act or omission which gives rise to or is likely to give rise to any material liability of our Company or any of the Controlling Shareholders pursuant to the indemnities given under the Hong Kong Underwriting Agreement; or
- (f) that there is any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and the other members of our Group, taken as a whole; or
- (g) that the approval of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (h) that our Company withdraws any of this prospectus, the **GREEN** Application Form, the formal notice or the Global Offering; or
- (i) any of the experts specified in this prospectus (other than any of the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (j) the orders or investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or
- (k) that there is a breach of, or any matter circumstance or event rendering any of the warranties given by our Company or any of the Controlling Shareholders in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate; or
- (l) a material portion of the orders in the book-building process have been withdrawn, terminated or cancelled,

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), shall be entitled, in their sole and absolute discretion, by giving a written notice to the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange, that within six months from the Listing Date no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) shall be issued by our

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Company or form the subject of any agreement to such issue (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

By virtue of Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Capitalization Issue, the Global Offering and the Over-allotment Option, they will not and will procure that the relevant registered holder(s) (if any) of our Shares in which any of them has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (i) in the period commencing from the date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are shown to be the beneficial owner in this prospectus; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares to such extent that, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be our Controlling Shareholders for the purpose of the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders have undertaken to the Stock Exchange and to our Company that within the period commencing from the date by reference to which disclosure for their shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, they will:

- (i) when they pledge or charge any Shares legally and/or beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when they receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledge or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings by our existing Shareholders

Other than our Controlling Shareholders and ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED (being the trustees holding Shares as reserve for the

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awards under the Share Incentive Plan), each of our existing Shareholders as of the date of this prospectus has undertaken to each of the Company, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of each of the Underwriters) that, among others, it will not, and shall procure that any company controlling (directly or indirectly) any Shares held by such Shareholder (the “**Lock-up Shares**”) or any nominee or trustee holding in trust for such Shareholder will not, without the prior written consent of the Company, the Joint Sponsors and the Joint Global Coordinators, at any time during the period of six months immediately after the Listing Date, dispose of any Lock-up Shares, save for certain special circumstances. For the undertakings by our Controlling Shareholders, see the sub-section headed “Undertakings to the Stock Exchange Pursuant to the Listing Rules—(B) Undertakings by our Controlling Shareholders” above in this section.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, that except for the offer, allotment, issue and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, make any short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any Shares or other equity securities of our Company, with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

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in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other equity securities of our Company will be completed within the First Six-month Period).

During the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company shall not enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transaction, such that any Controlling Shareholder would, directly or indirectly, cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company. In the event that our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to enter into any such transaction, our Company shall take all reasonable steps to ensure that it will not, and no other act of our Company will, create a disorderly or false market in the securities of the Company.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally agreed and undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Global Offering, the exercise of the Over-allotment Option and the issue of the Shares thereof, without the prior written consent of the Joint Sponsors and the Joint Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) save for the lending of Shares by DING GUOHUA LIMITED pursuant to the Stock Borrowing Agreement, it will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, make short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other equity securities of our Company, as applicable), or deposit any Shares or other equity securities of our Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other equity securities, as applicable), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to enter into any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to enter

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into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “Controlling Shareholder” (as defined in the Listing Rules) of our Company; and

- (iii) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to enter into any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company,

provided that, subject to strict compliance with any requirements of applicable laws (including, without limitation and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC or of any other relevant authority), nothing in the undertakings above shall prevent any of our Controlling Shareholders from (i) purchasing additional Shares or other securities of our Company and disposing of such additional Shares or other securities of our Company, (ii) using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including without limitation a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among others, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, among others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by them pursuant to the Hong Kong Underwriting

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Agreement, which is described in “—Underwriting Arrangements and Expenses—Undertakings pursuant to the Hong Kong Underwriting Agreement—Undertakings by our Controlling Shareholders” above.

Over-allotment Option and Stabilization

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their absolute discretion (for themselves and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until up to (and including) the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 19,884,000 Shares, representing no more than 15.0% of the number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

For more details of the arrangements relating to the Over-allotment Option and stabilization, see “Structure of the Global Offering” in this prospectus.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering) and the International Underwriters are expected to receive an underwriting commission per Offer Share of 2.5% of the Offer Price from our Company in respect of all the International Offer Shares. Our Company may also in our sole and absolute discretion pay any one or all of the Underwriters an additional incentive fee in aggregate of up to 1.5% of the aggregate Offer Price for all of the Offer Shares (including Offer Shares to be issued if the Over-allotment Option is exercised). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, our Company will pay an underwriting commission as set out in the International Underwriting Agreement to the International Underwriters, and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005%, FRC transaction levy of 0.00015%, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK\$113.6 million (assuming an Offer Price of HK\$7.65 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company.

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable set out in Rule 3A.07 of the Listing Rules. For further details, see “Statutory and General Information—E. Other Information—6. The Joint Sponsors and Joint Sponsors’ fees” in Appendix V to this prospectus.

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UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and as disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters has any shareholding or beneficial interests in any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 13,256,000 Offer Shares (subject to reallocation) in Hong Kong, as described in “— The Hong Kong Public Offering” below; and
- (b) the International Offering of initially 119,304,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, as described in “— The International Offering” below.

The 132,560,000 Offer Shares initially being offered in the Global Offering will represent approximately 15.02% of the total number of issued Shares immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in “Underwriting” in this prospectus.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering, or, if qualified to do so, apply for or indicate an interest in International Offering Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 13,256,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 10% of the total number of Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) agreeing on the Offer Price. Completion of the Hong Kong Public Offering is subject to the conditions as set out in “— Conditions of the Global Offering” below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of

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allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. Pool A will comprise 6,628,000 Hong Kong Offer Shares and pool B will comprise 6,628,000 Hong Kong Offer Shares initially. Both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) of HK\$5 million or below will fall into pool A. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) of over HK\$5 million and up to the total value of pool B will fall into pool B.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 6,628,000 Hong Kong Offer Shares (being 50% of the 13,256,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

Assuming that the Over-allotment Option is not exercised, the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

- (a) where the International Offer Shares are fully subscribed or oversubscribed and:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) have the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deems appropriate to satisfy demand under the International Offering;
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then at the discretion of the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), up to 13,256,000 Offer Shares may be reallocated to the Hong Kong Public Offering from

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the International Offering to satisfy valid applications under the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 26,512,000 Offer Shares and not more than double the initial allocation to the Hong Kong Public Offering, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 26,512,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 39,768,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 39,768,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 53,024,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
 - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 53,024,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 66,280,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).
- (b) where the International Offer Shares are undersubscribed and:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless fully underwritten by the Underwriters; and
 - (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 13,256,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Share available under the Hong Kong Public Offering will be increased to 26,512,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. If either the Hong Kong Public Offering or the International Offering is not fully

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subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportion as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, (i) the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 26,512,000 Offer Shares), and (ii) the final Offer Price shall be fixed at HK\$6.80 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

The Joint Global Coordinators (for themselves and on behalf of the other Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offering Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offering Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$8.50 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” below, is less than the maximum price of HK\$8.50 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares.”

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 119,304,000, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, and is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the other Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the reallocation arrangement described in “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in “— Over-allotment Option” below and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International

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Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 19,884,000 new Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.20% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STOCK BORROWING ARRANGEMENT

China Securities (International) Corporate Finance Company Limited, as the Stabilizing Manager, or any person acting for it may choose to borrow Shares from DING GUOHUA LIMITED under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with DING GUOHUA LIMITED will only be effected by the Stabilizing Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- the maximum number of Shares borrowed from DING GUOHUA LIMITED under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to DING GUOHUA LIMITED or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, and (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to DING GUOHUA LIMITED by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, *inter alia*, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions

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with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be issued under the Over-allotment Option, namely, 19,884,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;
- (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

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Prospective applications for investors in the Offer Shares should note that:

- (a) as a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares;
- (b) the size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;
- (c) liquidation of any such long position by the Stabilizing Manager and selling in the open market may lead to a decline in the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period, which begins on the Listing Date, and is expected to expire on Friday, September 30, 2022, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and their market price, could fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market;
- (e) any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be agreed on the Price Determination Date, which is expected to be on or about Wednesday, August 31, 2022 and in any event no later than Friday, September 2, 2022, by agreement between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

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Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company.

The Offer Price will not be more than HK\$8.50 per Offer Share and is expected to be not less than HK\$6.80 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) are unable to reach agreement on the Offer Price on or before Friday, September 2, 2022, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Global Coordinators (for themselves and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be announced on the website of the Company at www.yuehuamusic.com and the website of the Stock Exchange at www.hkexnews.hk, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company, will be fixed within such a revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus and any other financial information which may change materially as a result of such reduction.

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, and, where appropriate, extend the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who had applied for the Offer Shares to withdraw their applications.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so announced, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company, will

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under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the other Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares are expected to be announced on Tuesday, September 6, 2022 on the website of the Company at www.yuehuamusic.com and the website of the Stock Exchange at www.hkexnews.hk.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the (i) the conversion of the Preferred Shares, (ii) the Capitalization issue, (iii) Global Offering, and (iv) the exercise of the Over-allotment Option, and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

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- (d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) on or before Friday, September 2, 2022, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.yuehuamusic.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Tuesday, September 6, 2022 but will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Capitalization Issue, the conversion of the Preferred Shares and the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading

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day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, September 7, 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, September 7, 2022. The Shares will be traded in board lots of 400 Shares. The stock code of the Shares will be 2306.

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IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and the website of our Company at www.yuehuamusic.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8690 on the following dates:

Wednesday, August 24, 2022 — 9:00 a.m. to 9:00 p.m.
Thursday, August 25, 2022 — 9:00 a.m. to 9:00 p.m.
Friday, August 26, 2022 — 9:00 a.m. to 9:00 p.m.
Saturday, August 27, 2022 — 9:00 a.m. to 6:00 p.m.
Sunday, August 28, 2022 — 9:00 a.m. to 6:00 p.m.
Monday, August 29, 2022 — 9:00 a.m. to 9:00 p.m.
Tuesday, August 30, 2022 — 9:00 a.m. to 9:00 p.m.
Wednesday, August 31, 2022 — 9:00 a.m. to 12:00 noon

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through **CCASS eIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if:

- an existing beneficial owner of Shares in our Company and/or any our subsidiaries;

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- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- (a) have a valid Hong Kong identity card number; and
- (b) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among others, you:

- (a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers, employees, partners, agents, advisors, or representatives or any other parties involved in the Global Offering (collectively, the “**Relevant Persons**”), and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

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- (h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund check(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company and the Relevant Persons will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

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Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this document acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 400 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

YH Entertainment Group (HK\$8.50 per Hong Kong Offer Share) NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
400	3,434.27	6,000	51,514.01	50,000	429,283.37	600,000	5,151,400.35
800	6,868.53	8,000	68,685.34	60,000	515,140.04	700,000	6,009,967.08
1,200	10,302.81	10,000	85,856.68	70,000	600,996.71	800,000	6,868,533.80
1,600	13,737.07	12,000	103,028.00	80,000	686,853.38	900,000	7,727,100.53
2,000	17,171.34	14,000	120,199.34	90,000	772,710.06	1,000,000	8,585,667.25
2,400	20,605.60	16,000	137,370.67	100,000	858,566.73	2,000,000	17,171,334.50
2,800	24,039.87	18,000	154,542.01	200,000	1,717,133.45	3,000,000	25,757,001.75
3,200	27,474.13	20,000	171,713.35	300,000	2,575,700.18	4,000,000	34,342,669.00
3,600	30,908.41	30,000	257,570.02	400,000	3,434,266.90	5,000,000	42,928,336.25
4,000	34,342.67	40,000	343,426.69	500,000	4,292,833.63	6,628,000 ⁽¹⁾	56,905,802.54

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria set out in “— 2. Who Can Apply” above, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8690 on the following dates:

Wednesday, August 24, 2022 — 9:00 a.m. to 9:00 p.m.
Thursday, August 25, 2022 — 9:00 a.m. to 9:00 p.m.
Friday, August 26, 2022 — 9:00 a.m. to 9:00 p.m.
Saturday, August 27, 2022 — 9:00 a.m. to 6:00 p.m.
Sunday, August 28, 2022 — 9:00 a.m. to 6:00 p.m.
Monday, August 29, 2022 — 9:00 a.m. to 9:00 p.m.
Tuesday, August 30, 2022 — 9:00 a.m. to 9:00 p.m.
Wednesday, August 31, 2022 — 9:00 a.m. to 12:00 noon

The application for the Offer Shares will commence on Wednesday, August 24, 2022 through Wednesday, August 31, 2022, being longer than normal market practice of three and a half days.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, August 24, 2022 until 11:30 a.m. on Wednesday, August 31, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, August 31, 2022 or such later time under “— 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.0 for each “**YH Entertainment Group.**” **White Form eIPO** application submitted via the www.eipo.com.hk to support sustainability.

6. APPLYING THROUGH CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under

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their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong and complete an input request.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Applying through CCASS EIPO service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

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- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that neither our Company nor any of the Relevant Persons is or will be liable for any information and representations not contained in this prospectus (and any supplement to this prospectus);
- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each

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of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying through CCASS EIPO service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions¹

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, August 24, 2022 — 9:00 a.m. to 8:30 p.m.

Thursday, August 25, 2022 — 8:00 a.m. to 8:30 p.m.

Friday, August 26, 2022 — 8:00 a.m. to 8:30 p.m.

Monday, August 29, 2022 — 8:00 a.m. to 8:30 p.m.

Tuesday, August 30, 2022 — 8:00 a.m. to 8:30 p.m.

Wednesday, August 31, 2022 — 8:00 a.m. to 12:00 noon

The application for the Offer Shares will commence on Wednesday, August 24, 2022 through Wednesday, August 31, 2022, being longer than normal market practice of three and a half days.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, August 24, 2022 until 12:00 noon on Wednesday, August 31, 2022 (24 hours daily, except on Wednesday, August 31, 2022, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, August 31, 2022, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to

¹ These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

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apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;
- verifying identities of the holders of our Company's Shares;

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- establishing benefit entitlements of holders of our Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of our Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of our Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by our Company and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

Our Company and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in "Corporate

HOW TO APPLY FOR HONG KONG OFFER SHARES

Information” or as notified from time to time, for the attention of the secretary, or our Company’s Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your **electronic applications**. Our Company, the Directors, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, August 31, 2022, the last day for applications, or such later time as described in “10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

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“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$8.50 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%. This means that for one board lot of 400 Hong Kong Offer Shares, you will pay HK\$3,434.27.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 400 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 400 Hong Kong Offer Shares must be in one of the numbers set out in the table in “— 4. Minimum Application Amount and Permitted Numbers” above, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy and the FRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the FRC respectively).

For further details on the Offer Price, see “Structure of the Global Offering—Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, August 31, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, August 31, 2022 or if there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or

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Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made on the website of our Company at www.yuehuamusic.com and the website of the Stock Exchange at www.hkexnews.hk.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, September 6, 2022 on the website of our Company at www.yuehuamusic.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the website of our Company at www.yuehuamusic.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, September 6, 2022;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, September 6, 2022 to 12:00 midnight on Monday, September 12, 2022; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Tuesday, September 6, 2022, Wednesday, September 7, 2022, Thursday, September 8, 2022 and Friday, September 9, 2022.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- (b) if any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and our and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offering Shares;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- your payment is not made correctly;

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- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy thereon), or if the conditions of the Global Offering are not fulfilled in accordance with “Structure of the Global Offering—Conditions of the Global Offering” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy, will be refunded, without interest or the check or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, September 6, 2022.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Tuesday, September 6, 2022. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier’s order(s).

Share certificates will only become valid evidence of title at 8:00 a.m. Wednesday, September 7, 2022, provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” has not been exercised.

Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at

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Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 6, 2022, or such other date as announced by our Company as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks.

If you do not collect your share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, September 6, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(ii) *If you apply through CCASS EIPO service*

Allocation of the Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, September 6, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Tuesday, September 6, 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 6, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, September 6, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, September 6, 2022.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountant's Report on Historical Financial Information in Investments Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YH ENTERTAINMENT GROUP AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED

Introduction

We report on the historical financial information of YH Entertainment Group (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-106, which comprises the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and April 30, 2022, and the Company's statements of financial position as at December 31, 2021 and April 30, 2022 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-106 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated August 24, 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investments Circular Reporting Engagements 200, *Accountant's Report on Historical Financial Information in Investments Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting

accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2021 and April 30, 2022, the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and April 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended April 30, 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

August 24, 2022

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Four months ended April 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	631,436	922,042	1,290,449	341,290	352,899
Cost of revenue	7	(351,932)	(429,060)	(688,490)	(162,299)	(197,158)
Gross profit		279,504	492,982	601,959	178,991	155,741
Selling and marketing expenses	7	(23,359)	(30,823)	(34,523)	(7,788)	(9,660)
General and administrative expenses	7	(39,406)	(44,081)	(71,530)	(13,059)	(31,300)
Net impairment losses on financial assets	3.1(b)	(1,374)	(8,954)	(3,296)	(128)	(2,216)
Other income	8	3,778	7,303	18,420	1,255	1,242
Other (losses)/gains, net	9	(39,996)	(18,522)	(5,889)	3,665	7,937
Operating profit		179,147	397,905	505,141	162,936	121,744
Finance income	11	1,222	3,693	5,215	663	1,214
Finance costs	11	(1,921)	(6,366)	(42,749)	(13,891)	(4,119)
Finance costs, net		(699)	(2,673)	(37,534)	(13,228)	(2,905)
Share of losses of investments accounted for using the equity method	19	(9,217)	(2,697)	(6,568)	(2,202)	(1,096)
Fair value changes of convertible preferred shares	33	—	—	—	—	(6,843)
Profit before income tax		169,231	392,535	461,039	147,506	110,900
Income tax expense	12	(49,898)	(100,589)	(125,707)	(36,773)	(30,380)
Profit for the year/period		119,333	291,946	335,332	110,733	80,520
Other comprehensive (loss)/income, net of tax						
<i>Items that may be reclassified to profit or loss</i>						
Currency translation differences		(420)	1,268	(6,642)	(1,848)	(1,060)
<i>Items that may not be reclassified to profit or loss</i>						
Currency translation differences		—	—	—	—	(75,460)
Total comprehensive income for the year/ period		118,913	293,214	328,690	108,885	4,000
Profit attributable to:						
Owners of the Company		119,023	291,370	336,684	110,406	80,301
Non-controlling interests		310	576	(1,352)	327	219
		<u>119,333</u>	<u>291,946</u>	<u>335,332</u>	<u>110,733</u>	<u>80,520</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)	14					
Basic		1.66	4.07	4.71	1.54	1.12
Diluted		1.08	2.68	3.43	1.12	0.82
Total comprehensive income attributable to:						
Owners of the Company		118,603	292,627	329,978	108,567	3,859
Non-controlling interests		310	587	(1,288)	318	141
		<u>118,913</u>	<u>293,214</u>	<u>328,690</u>	<u>108,885</u>	<u>4,000</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,			As at April 30,
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	105,741	106,448	103,645	100,933
Right-of-use assets	17	12,108	16,683	12,221	10,811
Investment properties	16	16,292	15,993	14,112	13,653
Intangible assets	18	9,495	7,669	5,843	5,339
Investments accounted for using the equity method	19	43,014	46,081	39,076	10,744
Financial assets at fair value through profit or loss	21	—	800	2,800	40,104
Prepayments and other receivables	23	2,446	3,694	2,158	1,997
Deferred income tax assets	28	1,192	2,842	3,103	3,686
		<u>190,288</u>	<u>200,210</u>	<u>182,958</u>	<u>187,267</u>
Current assets					
Inventories	22	2,096	1,108	1,132	1,130
Trade receivables	23	54,332	80,981	106,833	128,255
Prepayments and other receivables	23	17,816	26,242	48,730	27,925
Amounts due from shareholders	1.2(e)&25(a)	—	—	344,600	—
Financial assets at fair value through profit or loss	21	79,986	214,713	448,085	289,610
Cash and cash equivalents	24	616,662	651,924	546,559	519,892
		<u>770,892</u>	<u>974,968</u>	<u>1,495,939</u>	<u>966,812</u>
Total assets		<u>961,180</u>	<u>1,175,178</u>	<u>1,678,897</u>	<u>1,154,079</u>
EQUITY					
Share capital	25(a)	—	—	—	50
Combined capital	25(b)	110,046	110,046	110,046	—
Treasury shares	25(a)	—	—	—	(4)
Reserves	26	84,321	(455,287)	(459,873)	(2,526,103)
Retained earnings	27	259,277	325,673	662,351	742,652
Equity attributable to equity owners of the Company		<u>453,644</u>	<u>(19,568)</u>	<u>312,524</u>	<u>(1,783,405)</u>
Non-controlling interests		<u>1,387</u>	<u>6,109</u>	<u>7,034</u>	<u>7,175</u>
Total equity/(deficit)		<u>455,031</u>	<u>(13,459)</u>	<u>319,558</u>	<u>(1,776,230)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION—continued

	Note	As at December 31,			As at April 30,
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	29	72,381	71,964	—	—
Lease liabilities	17	5,176	6,542	5,066	4,288
Redemption liabilities	32	—	570,995	488,202	—
Financial liabilities at fair value through profit or loss	33	—	—	—	2,092,844
Contract liabilities	6	31,569	50,899	52,851	32,204
		<u>109,126</u>	<u>700,400</u>	<u>546,119</u>	<u>2,129,336</u>
Current liabilities					
Borrowings	29	—	—	64,322	62,500
Trade payables	30	163,733	156,591	213,483	127,289
Other payables and accruals	31	126,474	100,896	109,332	32,875
Redemption liabilities	32	—	—	123,274	—
Financial liabilities at fair value through profit or loss	33	—	—	—	348,463
Contract liabilities	6	71,666	151,342	187,234	130,250
Current income tax liabilities		30,373	75,094	110,432	93,822
Lease liabilities	17	4,777	4,314	5,143	5,774
		<u>397,023</u>	<u>488,237</u>	<u>813,220</u>	<u>800,973</u>
Total liabilities		<u>506,149</u>	<u>1,188,637</u>	<u>1,359,339</u>	<u>2,930,309</u>
Total equity and liabilities		<u>961,180</u>	<u>1,175,178</u>	<u>1,678,897</u>	<u>1,154,079</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31,	As at April 30,
		2021	2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries	37(a)	2,068	7,373,578
Financial assets at fair value through profit or loss		—	16,589
		<u>2,068</u>	<u>7,390,167</u>
Current assets			
Cash and cash equivalents		—	341,123
Amounts due from shareholders	1.2(e)&25(a)	46	—
Amounts due from a subsidiary		—	16
		<u>46</u>	<u>341,139</u>
Total assets		<u>2,114</u>	<u>7,731,306</u>
EQUITY			
Share capital	25(a)	46	50
Treasury shares	25(a)	—*	(4)
Accumulated losses	37(c)	(35)	(10,615)
Reserves	37(c)	2,068	5,300,568
Total equity		<u>2,079</u>	<u>5,289,999</u>
LIABILITIES			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	33	—	2,092,844
		—	<u>2,092,844</u>
Current liabilities			
Financial liabilities at fair value through profit or loss	33	—	348,463
Other payables and accruals	37(b)	35	—
		<u>35</u>	<u>348,463</u>
Total liabilities		<u>35</u>	<u>2,441,307</u>
Total equity and liabilities		<u>2,114</u>	<u>7,731,306</u>

* The balance was rounded to the nearest thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Combined capital	Reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	110,046	84,541	140,454	335,041	1,077	336,118
Profit for the year	—	—	—	119,023	119,023	310	119,333
Currency translation differences	—	—	(420)	—	(420)	—	(420)
Total comprehensive (loss)/ income for the year	—	—	(420)	119,023	118,603	310	118,913
Transactions with owners:							
Appropriation for statutory surplus reserve	—	—	200	(200)	—	—	—
Total transactions with owners of the company	—	—	200	(200)	—	—	—
As at December 31, 2019	—	110,046	84,321	259,277	453,644	1,387	455,031

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Combined capital	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at January 1, 2020 . . .		—	110,046	84,321	259,277	453,644	1,387	455,031
Profit for the year		—	—	—	291,370	291,370	576	291,946
Currency translation differences		—	—	1,257	—	1,257	11	1,268
Total comprehensive income for the year . . .		—	—	1,257	291,370	292,627	587	293,214
Transactions with owners:								
Capital injection by non-controlling interests . . .	(a)	—	—	1,247	—	1,247	4,135	5,382
Appropriation for statutory surplus reserve		—	—	24,974	(24,974)	—	—	—
Dividends paid to then shareholders of Beijing Yuehua Entertainment Limited (北京樂華圓娛文化傳播有限公司, “Yuehua Limited”), previously known as Beijing Yuehua Entertainment Co., Ltd. (北京樂華圓娛文化傳播股份有限公司)	13	—	—	—	(200,000)	(200,000)	—	(200,000)
Redesignation of ordinary shares to redemption liabilities as a result of additional redemption rights granted to certain then shareholders of Yuehua Limited	32	—	—	(567,086)	—	(567,086)	—	(567,086)
Total transactions with owners of the Company		—	—	(540,865)	(224,974)	(765,839)	4,135	(761,704)
As at December 31, 2020		—	110,046	(455,287)	325,673	(19,568)	6,109	(13,459)

(a) In August 2020, a then wholly owned subsidiary of Yuehua Limited issued new equity shares at a total consideration of approximately RMB5,382,000, which resulted in a decrease of the Group's equity interest in this subsidiary from 100% to 85%. As a result, the Group recognized a credit of approximately RMB4,135,000 to non-controlling interests and a credit of approximately RMB1,247,000 to other reserves.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Combined capital	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021		—	110,046	(455,287)	325,673	(19,568)	6,109	(13,459)
Profit for the year		—	—	—	336,684	336,684	(1,352)	335,332
Currency translation differences		—	—	(6,706)	—	(6,706)	64	(6,642)
Total comprehensive (loss)/ income for the year		—	—	(6,706)	336,684	329,978	(1,288)	328,690
Transactions with owners:								
Appropriation for statutory surplus reserve		—	—	6	(6)	—	—	—
Issuance of shares by the Company	25(a)	—	—	46	—	46	—	46
Equity settled share-based payments	38	—	—	2,068	—	2,068	—	2,068
Liquidation of a non-wholly owned subsidiary		—	—	—	—	—	(375)	(375)
Capital injection by non-controlling interests	(b)	—	—	—	—	—	2,588	2,588
Total transactions with owners of the Company		—	—	2,120	(6)	2,114	2,213	4,327
As at December 31, 2021		—	110,046	(459,873)	662,351	312,524	7,034	319,558

(b) The amount represented capital injection from independent minority shareholders for non-wholly owned subsidiaries upon their incorporation.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Combined capital	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
As at January 1, 2021		—	110,046	(455,287)	325,673	(19,568)	6,109	(13,459)
Profit for the period		—	—	—	110,406	110,406	327	110,733
Currency translation differences		—	—	(1,839)	—	(1,839)	(9)	(1,848)
Total comprehensive income for the period		—	—	(1,839)	110,406	108,567	318	108,885
Transactions with owners:								
Liquidation of a non-wholly owned subsidiary		—	—	—	—	—	(375)	(375)
Capital injection by non-controlling interests	(b)	—	—	—	—	—	588	588
Total transactions with owners of the Company		—	—	—	—	—	213	213
As at April 30, 2021		—	110,046	(457,126)	436,079	88,999	6,640	95,639

(b) The amount represented capital injection from independent minority shareholders for non-wholly owned subsidiaries upon their incorporation.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Note	Attributable to owners of the Company							Total equity RMB'000
		Share capital	Combined capital	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at January 1,									
2022		—	110,046	—	(459,873)	662,351	312,524	7,034	319,558
Profit for the period . . .		—	—	—	—	80,301	80,301	219	80,520
Currency translation differences		—	—	—	(76,442)	—	(76,442)	(78)	(76,520)
Total comprehensive (loss)/income for the period		—	—	—	(76,442)	80,301	3,859	141	4,000
Transactions with owners:									
Equity settled share-based payments . . .	38	—	—	—	29,119	—	29,119	—	29,119
Deemed distribution to the shareholders of the Company	1.2(g)(i)&34(d)	—	—	—	565	—	565	—	565
Reorganization - exchange redemption liabilities with convertible preferred shares . . .	32&33	—	—	—	(1,869,521)	—	(1,869,521)	—	(1,869,521)
Reclassification of combined capital to share capital and other reserves upon the completion of the reorganization . .	1.2	46	(110,046)	—	110,000	—	—	—	—
Issuance of ordinary shares by the Company	25(a)	4	—	—	—	—	4	—	4
Treasury shares	25(a)	—	—	(4)	—	—	(4)	—	(4)
Dividends to the shareholders of the Company	13	—	—	—	(259,951)	—	(259,951)	—	(259,951)
Total transactions with owners of the Company		50	(110,046)	(4)	(1,989,788)	—	(2,099,788)	—	(2,099,788)
As at April 30, 2022		50	—	(4)	(2,526,103)	742,652	(1,783,405)	7,175	(1,776,230)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Four months ended April 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations	34(a)	307,707	483,063	598,530	148,374	(59,118)
Income taxes paid		(53,736)	(57,518)	(90,630)	(38,228)	(47,573)
Net cash generated from/(used in) operating activities		253,971	425,545	507,900	110,146	(106,691)
Cash flows from investing activities						
Purchases of property, plant and equipment		(102,641)	(3,544)	(12,364)	(6,215)	(2,027)
Purchase of investment properties		(16,083)	—	—	—	—
Purchase of intangible assets		(7,949)	—	—	—	(106)
Proceeds from disposal of property, plant and equipment		—	346	51	46	—
Payments for financial assets at fair value through profit or loss		(1,076,610)	(1,123,565)	(1,456,418)	(460,014)	(34,588)
Proceeds from disposals of financial assets at fair value through profit or loss		1,228,340	970,321	1,208,281	65,042	162,056
Interest received from bank deposits and other loans		1,222	3,693	4,455	430	2,517
Payments for investments accounted for using the equity method		(2,333)	(5,788)	—	—	(10,000)
Proceeds from disposal of investments accounted for using the equity method		—	—	5,500	3,000	—
Advance of loans to third parties		(661)	(10,923)	(9,236)	(129)	(3,344)
Repayment from loans to third parties and a related party		250	8,276	1,029	100	21,854
Net cash generated from/(used in) investing activities		23,535	(161,184)	(258,702)	(397,740)	136,362
Cash flows from financing activities						
Interest paid for borrowings		(539)	(2,037)	(1,853)	(636)	(429)
Proceeds from borrowings and loans from a related Party		73,838	—	—	—	—
Repayment of borrowings and loans from a third party and related parties		(30,578)	(21,208)	—	—	—
Payment for lease liabilities – principal and interest		(5,787)	(10,618)	(4,279)	(1,750)	(812)
Capital injection by non-controlling interests		—	5,382	2,588	588	—
Deemed distribution paid to the shareholders of the Company	34(d)	—	—	—	—	(15,298)
Dividends paid by Yuehua Limited to its then shareholders	13&31(b)	—	(201,875)	—	—	—
Dividends paid by the Company to the holders of convertible preferred shares	13	—	—	—	—	(139,369)
Dividends paid by the Company to its ordinary shareholders	13	—	—	—	—	(57,898)
Effect of reorganization in respect of the acquisition of a company comprising the Group	1.2(e)(i) &(ii)	—	—	(344,554)	—	(402,250)
Proceeds from issuance of convertible preferred shares by the Company to reflect the onshore shareholding structure as part of the reorganization	1.2(f)(i) & 33	—	—	—	—	544,751
Payment for listing expenses		—	—	(5,156)	—	(916)
Net cash generated from/(used in) financing activities		36,934	(230,356)	(353,254)	(1,798)	(72,221)
Net increase/(decrease) in cash and cash equivalents		314,440	34,005	(104,056)	(289,392)	(42,550)
Cash and cash equivalents at the beginning of the year/period		303,076	616,662	651,924	651,924	546,559
Effect of exchange rate changes on cash and cash equivalents		(854)	1,257	(1,309)	(530)	15,883
Cash and cash equivalents at the end of the year/period		616,662	651,924	546,559	362,002	519,892

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

YH Entertainment Group (“the Company”) was incorporated in the Cayman Islands on June 10, 2021 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in artist management, music IP production and operation and pan-entertainment business in the People’s Republic of China (the “PRC”) and Korea (collectively, the “Listing Business”). The ultimate holding company of the Company is DING GUOHUA LIMITED, a company incorporated in the British Virgin Islands (“BVI”). The ultimate controlling shareholder is Ms. DU Hua (“**Ms. Du**” or the “**Controlling Shareholder**”), who has been controlling the group companies since their incorporation.

1.2 Reorganization

Immediately prior to the reorganization (the “Reorganization”) and during the Track Record Period, the Listing Business was mainly carried by Yuehua Limited, a limited liability company in the PRC, and its subsidiaries (the “Operating Entities”).

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganization to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the Listing Business.

The Reorganization involved the following steps:

(a) Incorporation of the Company and its offshore subsidiaries

- (i) On June 10, 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of the Group, as part of the Reorganization. Upon incorporation, the authorized share capital of the Company was USD50,000 divided into 500,000,000 ordinary shares with a par value of USD0.0001 each. On the same day, 58,108,105, 3,827,984, 6,624,279, 200,000, 29,000, and 2,721,497 ordinary shares were allotted and issued to DING GUOHUA LIMITED, QINGDINGDANG LIMITED, Bloom Joy Capital Profit Limited, Changyang Limited, UPXF GROUP LIMITED and POWER JOY PLUS LIMITED, respectively, all of which were owned by the then equity owners of Yuehua Limited.
- (ii) On June 22, 2021, YH Entertainment Group (BVI) Limited (“Yuehua BVI”) was incorporated in BVI with the Company being its sole shareholder.
- (iii) On July 6, 2021, YH Entertainment Group (HK) Limited (“Yuehua HK”) was incorporated as a limited liability company in Hong Kong with Yuehua BVI being its sole shareholder.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1 General information, reorganization and basis of presentation—continued****1.2 Reorganization—continued****(b) Conversion of Yuehua Limited into a sino-foreign joint venture company**

(i) On August 30, 2021, Mr. WANG Huan transferred an aggregate of RMB1,100,000 registered capital, which represents 1.00% of the then registered capital of Yuehua Limited, to Joinstar Asia (HK) Limited (“Joinstar HK”). Joinstar HK is wholly owned by Joinstar Asia Limited, a BVI incorporated company, which is in turn wholly owned by Mr. Nick Ning Yang, an independent third party. Following such share transfer, Yuehua Limited was converted from a domestic company into a sino-foreign joint venture company.

(c) Entering into contractual arrangement in respect of Horgos Yuehua Picture Limited

(i) On August 30, 2021, as part of the Reorganization, Yuehua Limited disposed all of its shares in Horgos Yuehua Picture Limited (“Horgos Yuehua”), a then wholly owned subsidiary incorporated in the PRC and engaged in variety program production businesses, movies and made-to-order web drama series production businesses, 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)), to Ms. Du and Mr. SUN Yiding (the “Registered Shareholders”). On the same date, Yuehua Limited adopted a series of contractual arrangements (collectively the “Contractual Arrangements”) with Horgos Yuehua and its Registered Shareholders, pursuant to which the Yuehua Limited is able to effectively control, recognize and receive substantially all the economic benefits of the business and operations of Horgos Yuehua to the extent permitted by the PRC laws and regulations.

(ii) Accordingly, Horgos Yuehua is treated as a structured entity controlled by the Group. Further details of the Contractual Arrangements are set out in Note 2.2.1 below.

(d) Establishment of Tianjin Yuehua Investment Co., Ltd.

(i) On September 24, 2021, Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司, “Yuehua Investment”) was incorporated as a limited liability company in the PRC with Yuehua HK being its sole shareholder.

(e) Acquisition of Yuehua Limited and transactions with certain institutional and individual investors

(i) 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”), Tibet Huaguoguo Culture Technology Co., Ltd. (西藏華果果文化科技有限公司), and Shanghai Kunling Network Technology Partnership (Limited Partnership) (上海坤伶網絡科技合夥企業 (有限合夥)), transferred 79.01% of Yuehua Limited’s registered capital to Yuehua Investment at total consideration amounting to approximately RMB 344,554,000. The consideration was fully settled in December 2021.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1 General information, reorganization and basis of presentation—continued****1.2 Reorganization—continued**

- (ii) On January 30, 2022, Zhejiang Dongyang Alibaba Pictures Co., Ltd. (浙江東陽阿里巴巴影業有限公司) (“Dongyang Alibaba Pictures”) and Beijing Quantum Jump Technology Co., Ltd. (北京量子躍動科技有限公司) (“Quantum Jump”) transferred an aggregate of 19.99% of Yuehua Limited’s registered capital to Yuehua Investment at total consideration amounting to approximately RMB 402,250,000. The consideration was fully settled in February 2022.
- (iii) On January 30, 2022, Mr. Nick Ning Yang transferred all of his 100% equity interest in Joinstar Asia Limited to Yuehua BVI.
- (iv) Subsequently after the aforementioned transfers, Yuehua Limited was owned as to 99.00% and 1.00% by Yuehua Investment and Joinstar HK, both of which were wholly owned subsidiaries of the Company.
- (v) Pursuant to the reorganization framework agreement (“Reorganization Framework Agreement”) entered into among the Company, Yuehua Limited, Ms. DU, Mr. WANG Huan, Mr. FANG Shaojun, Mr. XIAO Fei, Mr. Nick Ning Yang, Joinstar Asia Limited, CMC, Quantum Jump and Dongyang Alibaba Pictures on November 30, 2021, the Group retains the contractual right to receive refund of all considerations paid, including the aforementioned RMB 344,554,000 paid in step 1.2(e)(i), as long as the reorganization (which includes the steps from 1.2(a) to (f) under the Reorganization Framework Agreement) is not yet fully completed.

As the Group’s reorganization was not fully completed as at December 31, 2021, the aforementioned RMB 344,554,000 consideration paid out by the Group in step 1.2(e)(i) as part of the reorganization was presented as amounts due from shareholders that existed as at December 31, 2021.

These amounts due from shareholders were subsequently settled in March 2022 as detailed in step 1.2(f).

(f) Issuance of shares by the Company to reflect the onshore shareholding structure

- (i) On January 28, 2022, the Company issued 1,100,000 ordinary Shares, to DIAMOND HAMMOCK LIMITED, a BVI incorporated company wholly owned by Mr. Nick Ning Yang. On the same day, 1,100,000 ordinary Shares of the Company held by Bloom Joy Capital Profit Limited (which was wholly owned by Mr. WANG Huan) were cancelled to mirror the share transfer in step 1.2(b)(i) as part of the Reorganization.
- (ii) On January 28, 2022, 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 consideration was settled in February and March 2022.
- (iii) On March 4, 2022, pursuant to a written resolution of the Company, DING GUOHUA LIMITED, QINGDINGDANG LIMITED, Bloom Joy Capital Profit Limited, Changyang Limited, UPXF GROUP LIMITED and POWER JOY PLUS LIMITED made capital contribution as share premium into the Company. The consideration was settled in March 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1 General information, reorganization and basis of presentation—continued****1.2 Reorganization—continued**

- (iv) The total considerations settled to the Group from the aforementioned subscriptions and capital contributions in steps 1.2(f)(i) to (iii) approximate the considerations paid by the Group in steps 1.2(e)(i) to (iii).

(g) Dismantlement of contractual arrangements in respect of Horgos Yuehua

- (i) On March 4, 2022, the Group structurally dismantled the Contractual arrangements in respect of Horgos Yuehua as part of the Reorganization. In connection with such dismantlement, a deemed distribution was approved by the Board and the shareholders of the Company, pursuant to which all the shareholders of the Company (other than ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED, both of which are trustees for the administration of the 2021 share incentive plan of the Company as detailed in Notes 38) are entitled to equity interest in Horgos Yuehua in proportion to their respective shareholding in the Company upon the completion of the Reorganization. Both Horgos Yuehua and the Company are under the control of the same ultimate controlling shareholder, being Ms. Du. Hence, this deemed distribution was accounted for as an equity transaction (i.e. distribution to owners) in the Group's consolidated statements of changes in equity, resulting in a credit of approximately RMB 565,000 to total equity with no impact to profit or loss.

Overall, transactions from steps 1.2(a) to (g) above were considered multiple steps of one transaction which formed a recapitalization of the Listing Business with no changes in management of the Listing Business and the ultimate owners of the Listing Business remain the same.

Moreover, as the Group's reorganization was not fully completed as at December 31, 2021, the Group's historical financial information for the years ended December 31, 2019, 2020 and 2021 was presented under combined basis.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 Reorganization—continued

Upon completion of the Reorganization in March 2022, the Company became the holding company of the companies now comprising the Group. As at the date of this report and during the Track Record Period, the Company had direct or indirect interests in the following principal subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid in capital/ registered capital	Effective interest held by the Group					Note
				December 31,		April 30,		As of the date of this report	
				2019	2020	2021	2022		
Direct Interests:									
Yuehua BVI	The BVI; June 22, 2021	Investment holding; The BVI	—/USD 1	—	—	100%	100%	100%	(a)
Indirect Interests:									
Yuehua HK	Hong Kong; July 6, 2021	Investment holding; Hong Kong	—/HKD10,000	—	—	100%	100%	100%	(a)
Joinstar Asia Limited	The BVI; January 30, 2022	Investment holding; The BVI	—/HKD10,000	—	—	—	100%	100%	(a)
Joinstar HK	Hong Kong; January 30, 2022	Investment holding; Hong Kong	—/HKD10,000	—	—	—	100%	100%	(a)
Yuehua Investment* (天津樂華投資有限公司)	The PRC; September 24, 2021	Investment holding; The PRC	—/ RMB200,000,000	—	—	100%	100%	100%	(a)
YUE HUA HONG KONG ENTERTAINMENT COMPANY LIMITED* (樂華娛樂香港有限公司)	Hong Kong; January 13, 2015	Pan-entertainment business; Hong Kong Artist management, music IP production and operation and pan-entertainment	USD77,352/ USD77,352	100%	100%	100%	100%	100%	(b)
Yuehua Limited*	The PRC; July 3, 2009	business; The PRC Artist management, music IP production and operation and pan-entertainment	RMB110,000,000/ RMB110,000,000	100%	100%	100%	100%	100%	(a)
Tianjin Yuehua Music Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司)	The PRC; August 1, 2011	business; The PRC music IP production and operation and pan-entertainment	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	(a)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 Reorganization—continued

Name of subsidiary	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid in capital/ registered capital	Effective interest held by the Group				As of the date of this report	Note
				December 31,		April 30,			
				2019	2020	2021	2022		
Tibet Yuehua Culture Communication Co., Ltd.* (西藏樂華文化傳播有限公司)	The PRC; December 25, 2011	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	(a)
Horgos Yuehua * (霍爾果斯樂華影業有限公司)	The PRC; January 6, 2016	Investment and production in movies and TV shows; The PRC	RMB80,000,000/ RMB80,000,000	100%	100%	100%	—	—	(a) & (d)
Tianjin Yihua Management Consulting Co., Ltd. (“Tianjin Yihua”) * (天津壹華管理諮詢有限公司)	The PRC; February 22, 2019	Investment holding; The PRC	RMB30,000,000/ RMB30,000,000	100%	100%	100%	100%	100%	(a)
Tianjin Yuedong Dream Culture Communication Co., Ltd.* (天津樂動夢想文化傳播有限公司)	The PRC; December 23, 2020	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB1,200,000/ RMB6,000,000	N/A	51%	51%	51%	51%	(a)
Tianjin Chufa Culture Technology Co., Ltd. * (天津觸發文化科技有限公司)	The PRC; April 17, 2014	Pan-entertainment business; The PRC	RMB1,000,000/ RMB1,000,000	90%	90%	90%	90%	90%	(a)
Yuehua Entertainment Korea Co., Ltd.* (韓國樂華娛樂股份有限公司)	Korea; August 28, 2014	Training center for artist management; The PRC	KRW5,875,000,000/ KRW5,875,000,000	100%	85%	85%	85%	85%	(c)

(a) These entities were not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.
(b) The statutory financial statements of YUE HUA HONG KONG ENTERTAINMENT COMPANY LIMITED for the years ended December 31, 2019 and 2020 were audited by Sky Way CPA&Co. The statutory financial statement for the year ended December 31, 2021 has not yet been issued.

(c) The statutory financial statements of Yuehua Entertainment Korea Co., Ltd. for the years ended December 31, 2019, 2020 and 2021 were audited by YE KYO JI SEONG.

(d) As mentioned earlier in this note, the Company does not have directly or indirectly legal ownership in the equity of Horgos Yuehua from August 30, 2021 to March 4, 2022. Nevertheless, under the Contractual Arrangements entered into with the registered shareholders of Horgos Yuehua, the Company and its other legally owned subsidiaries control this company by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over Horgos Yuehua, receives variable returns from its involvement, and has the ability to affect those returns through its power over Horgos Yuehua. As a result, they are presented as a controlled structured entity of the Company for accounting purpose.

* The English translation is for identification purpose only. These companies do not have official English and/or Chinese names.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1 General information, reorganization and basis of presentation—continued****1.3 Basis of presentation**

Immediately prior to the Reorganization and during the Track Record Period, the Listing Business was primarily conducted through the Operating Entities. Pursuant to the Reorganization, the Listing Business were transferred to and held by the Company.

The Company and those companies newly incorporated pursuant to the Reorganization have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business with no changes in management of the Listing Business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under the Operating Entities, with the assets and liabilities of the Group recognized and measured at the carrying amounts in the financial statements of the Operating Entities for all periods presented.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standard (“IFRS”) issued by International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets and financial liabilities (measured at fair value).

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New and amended standards adopted by the Group

In preparing the Historical Financial Information, the Group has consistently adopted all applicable new and amended IFRSs throughout all the years presented except for any new or interpretation that are not yet effective.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.1 Basis of preparation—continued

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after May 1, 2022 and have not been early adopted by the Group.

		<u>Effective for annual periods beginning on or after</u>
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to IAS 1 and IFRS 2 Practice Statements 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendment to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments to standards and interpretations to the existing IFRS.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Subsidiary controlled through contractual arrangements*

As described in Note 1.2, the Yuehua Limited has entered into the Contractual Arrangements with Horgos Yuehua and its Registered Shareholders on August 30, 2021, which enable the Yuehua Limited and the Group to:

- Exercise effective control over Horgos Yuehua;
- Exercise equity holders' voting rights of Horgos Yuehua;
- Receive substantially all of the economic interests and returns generated by Horgos Yuehua in consideration for the technical support, consulting and other services provided exclusively by the Yuehua Limited, at the Yuehua Limited's discretion;

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.2 Subsidiaries—continued****2.2.1 Consolidation—continued**

- Obtain an irrevocable and exclusive right to purchase all equity interests in Horgos Yuehua from its Registered Shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the Registered Shareholders of Horgos Yuehua shall return the amount of purchase consideration they have received to the Yuehua Limited. At the Yuehua Limited's request, the Registered Shareholders of Horgos Yuehua will promptly and unconditionally transfer their respective equity interests of Horgos Yuehua to the Yuehua Limited (or its designee within the Group) after Yuehua Limited exercises its purchase right; and
- Obtain pledges over the entire equity interests in Horgos Yuehua from its Registered Shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interests in Horgos Yuehua from August 30, 2021 onwards. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Horgos Yuehua and has the ability to affect those returns through its power over Horgos Yuehua and is considered to control it. Consequently, the Company regards Horgos Yuehua as a controlled structure entity and continues to combine the financial position and results of operations of it in the Historical Financial Information of the Group from August 30, 2021 onwards until March 4, 2022, when the Group dismantled the Contractual Arrangements as part of the Reorganization as detailed in Note 1.2(g).

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The Directors of the Group, based on the advice of its legal counsel, consider that the use of Contractual Arrangements does not constitute a breach of relevant laws and regulations.

(b) Business Combination

Except for the Reorganization, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.2 Subsidiaries—continued****2.2.1 Consolidation—continued**

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amounts of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the comprehensive income.

Inter-company transactions, balances and realized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amounts of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amounts recognized in profit or loss. The fair value is the initial carrying amounts for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.2 Subsidiaries—continued****2.2.2 Separate financial statements—continued**

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates

Investments in associates are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investments is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee and the share of OCI of the investee after the date of acquisition. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investments. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income or loss is reclassified to consolidated statements of comprehensive income or loss where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated statements of comprehensive income or loss, and its share of post-acquisition movements in other comprehensive income or loss is recognized in other comprehensive income or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "Share of losses of investments accounted for using the equity method" in the consolidated statements of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.3 Associates—continued**

unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statements of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The Functional Currency of the Company is HKD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group has determined RMB as its presentation currency and presented its Historical Financial Information in RMB(unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statements of comprehensive income within "other (losses)/gains, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss ("FVPL"), are recognized in the consolidated statements of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through OCI ("FVOCI"), are included in OCI.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.5 Foreign currency translation—continued***(c) Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognized in OCI.

On consolidation, exchange differences arising from the translation of any net investments in foreign entities are recognized in OCI.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs include expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- | | |
|----------------------------------|---|
| • Buildings | 40 years |
| • Furniture and office equipment | 3-5 years |
| • Computer equipment | 3-5 years |
| • Motor vehicles | 5 years |
| • Leasehold improvements | Shorter of estimated useful lives and remaining lease terms |
| • Freehold land | Indefinite |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other (losses)/gains, net" in the consolidated statements of comprehensive income.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.7 Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is carried at cost, including the related transaction costs, less accumulated depreciation and accumulated impairment losses, if any.

Investment properties of the Group include building and freehold land. Depreciation for building is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives of 40 years. Freehold land is not depreciated. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

2.8 Intangible assets*(a) Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line method over their estimated useful lives of 5 years.

(b) Music copyrights

The Group acquired music copyrights for music contents licensed from third parties and these acquired copyrights are stated at costs less accumulated amortization and impairment. Their costs are expensed to the Group's consolidated statement of profit or loss, within "cost of revenue", based on the pattern of which their future economic benefit useful life are expected be consumed by the Group, being straight line over their license periods, being generally 5 to 10 years. The Group considers the license periods of music copyrights as the best estimation for their useful lives as they primarily generate revenue from sub-licensing which is derived evenly throughout the period which their future economic benefit are expected to be consumed by the Group.

(c) Movie rights

Movies under production are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of movies. Provisions are made for costs which are in excess of the expected future revenues generated by these movies. The balance of movie production costs not yet due at the end of each reporting period are disclosed as commitments.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.8 Intangible assets—continued**

Upon completion, costs of movies under production are transferred to movie rights of completed production, which are stated at cost less accumulated amortization and impairment losses. The cost of movie rights is expensed on first public exhibition.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets*(a) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investments are held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.10 Financial assets—continued**

rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains, net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other (losses)/gains, net" in the period in which it arises.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.10 Financial assets—continued***Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as "other income" when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognized in "other (losses)/gains, net" in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group has the following types of financial assets subject to IFRS 9's expected credit loss model:

- Cash and cash equivalents
- Amounts due from shareholders
- Trade receivables
- Other receivables

While the Group's cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were deposited in high quality financial and other institutions with sound credit ratings.

For amounts due from shareholders, the Group has assessed the expected credit losses of these balances and the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.10 Financial assets—continued***(e) Derecognition**Financial assets*

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows (“pass through” requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Inventories

Inventories consist primarily of artist-related merchandise and other materials for sale, and are stated at the lower of cost, using the weighted average method, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.12 Trade and other receivables**

Trade receivables are amounts due from customers for service performed or inventories sold in the ordinary course of business. If collection of trade receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. Other receivables are recognized initially at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade and other receivables and Note 3.1(b)(ii) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents include cash at bank, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares (up to the nominal value of each shares) until the shares are canceled or reissued and other reserve (for consideration paid beyond the nominal value of each share). Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.16 Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.18 Current and deferred income tax—continued**

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

2.19 Employee benefits*(a) Pension obligations*

The Group contributes on a monthly basis to various defined contribution plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.20 Share-based benefits**

The fair value of the employee service received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized in profit or loss over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution in the separate financial statements of the Company. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancelation of some or all the equity instruments granted).

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.21 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.22 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.22 Revenue recognition—continued**

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The Group principally derives revenue from artist management, music IP production and operation, and pan-entertainment business:

(a) Artist management

The Group provides artist management service to corporate customers by arranging its artists to participate in commercial activities, such as endorsement deals, business promotion events and commercial performances, and entertainment content services, such as performing in movies, drama series and variety programs. Revenue is recognized when the relevant services are provided either over the fixed endorsement deals contract period or scheduled production period of movies, drama series and variety programs, or at the point in time when the artists attend those events and performances.

In evaluating the Group's role as a principal or agent in the provision of artist management services, the Group considers individually or in combination, that (a) the Group is the primary obligator for fulfilling its promise to its customers with the artist management services as it negotiates the service scope, has full discretion to determine which business activities to undertake, which artists will be assigned the plan and the manner in which the artists will fulfill the demand of customers for these activities; (b) the Group bears certain inventory risk as it needs to pay for the training of artists and costs of training and styling services provided by third-party vendors or in-house staff to the artists, as well as the staff costs (including those staff who work together with the artist on these business activities) and does not have unconditional right to all the revenue until it has provided the services to the customers; and (c) the Group has discretion in establishing the contract price for these business activities with the corporate customers and has ability to negotiate the service terms and pricing separately with the artists and third-party vendors who provide training and styling services. Thus, the Group is regarded as the principal and recognizes revenue from artist management on a gross basis and recognizes fulfillment costs, primarily being revenue-sharing with artists and online platforms, the costs of artist training and styling services provided by third-party vendors as cost of revenue.

(b) Music IP production and operation

The Group generates revenue from sub-licensing music copyrights to third parties' online platforms. Under these arrangements, the Group's performance obligations are either (i) to deliver

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.22 Revenue recognition—continued**

specific licensed songs from its existing music content for fixed periods of time; or (ii) to maintain dynamic licensed content libraries for these online platforms to access for fixed periods of time during which the Group is required to maintain a minimum number of songs' licenses and obliged to replicate the licensed content libraries for any subsequent change in the content, including addition of new content or removal of existing content, as the Group primarily relies on self-produced copyrights of the Group's own artists to fill these libraries and will continuously manage the rosters of content to promote its artists via these platforms' traffic while undertaking activities including but not limited to arranging various commercial events for the artists as well as external marketing efforts that will significantly impact these artists' popularity and the number of potential listeners of these artists' music, throughout the license period.

For (i), the Group charged its customers under fixed-payment basis and considered satisfying its performance obligation at a point in time when the licensed content is made available for the customers' use and benefit, typically upon the transfer of the licensed content to the customer.

For (ii), the Group charged its customers on a minimum guarantee plus revenue-sharing basis. The Group is paid minimum fixed considerations annually throughout the license period and entitled to additional revenue each year based on certain key performance indicators (e.g. listening rates of the content in the libraries by paid-user of the online platform) which give rise to variable considerations. As the Group's performance obligations are satisfied over time over the license period, the Group would recognize the revenue of minimum fixed considerations over the license period and the revenue of usage-based variable considerations to the extent that it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved, which is typically when the Group received the quarterly or semi-annual usage reports from the online platforms operators.

Since the Group has the ability to determine the pricing of the music licensing and negotiate the service terms, bears the relevant costs including the self-production costs of music content and costs of acquired music copyrights, and take responsibility for managing the licensed libraries, the Group is regarded as the principal and recognizes revenue from music licensing on a gross basis and recognizes production costs of music content and other applicable fulfillment costs as cost of revenue.

(c) *Pan-entertainment business*

The Group provides entertainment business including sub-licensing of variety programs, sales of artist-related merchandise and provision of other services. The revenue from these services is recognized when the relevant services were provided.

2.23 Leases

The Group leases certain offices and motor vehicles. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.23 Leases—continued**

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate is used.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful lives and the lease terms on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of each reporting period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.25 Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the expenses that they are intended to compensate.

2.26 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

2.27 Redemption liabilities

Redemption liabilities arise from preferential rights granted by the Group which permit the holders to request the Group to purchase the equity instruments held by them for cash when certain conditions are met. As the Group does not have the unconditional right to avoid delivering cash or financial assets under the preferential rights, a financial liability is recognized at the present value of the estimated future cash outflows on exercise of the preferential rights. Subsequently, if the Group revises its estimates of payments, the Group will recalculate the carrying amount based on the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and adjust the carrying amount of the financial liabilities to reflect actual or revised estimated cash outflows in the consolidated balance sheet through profit or loss. In the event that these preferential rights remain unexercised upon expiry, the liabilities are derecognized with a corresponding adjustment to equity.

The redemption liabilities are classified as current liabilities unless these preferential rights can only be exercised 12 months after the end of the reporting period, in that case they are classified as non-current liabilities.

2.28 Convertible preferred shares

The Group issued convertible preferred shares which give options to holders a right for redemption into cash after specified timing or a right for conversion into ordinary shares of the Company. The convertible preferred shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates convertible preferred shares as financial liabilities at FVPL. Convertible preferred shares are classified as non-current liabilities or current liabilities depending on whether the convertible preferred shares holders can demand the Company to redeem the convertible preferred

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.28 Convertible preferred shares—continued**

shares for cash within 12 months after the end of the reporting period or not. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive income. The component of fair value changes relating to the Company's own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in the statement of comprehensive income, but are transferred to retained earnings when realized.

3 Financial risk management**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

*(a) Market risk**(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets and liabilities denominated in USD whereas their functional currency is RMB. For the years ended December 31, 2019, 2020 and 2021 and four months ended April 30, 2022, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the years ended December 31, 2019, 2020 and 2021 and four months ended April 30, 2022 would have been approximately RMB423,000, RMB359,000, RMB279,000 and RMB28,000 lower/higher.

(ii) Fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group has no significant interest-bearing assets. Hence, the directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3 Financial risk management—continued****3.1 Financial risk factors—continued**

As at December 31, 2019, 2020 and 2021 and April 30, 2022, the Group's interest-bearing borrowings at floating rates were as follows:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings at floating rates	<u>72,381</u>	<u>71,964</u>	<u>64,322</u>	<u>62,500</u>

As at December 31, 2019, 2020 and 2021 and April 30, 2022, if the interest rates on borrowings at floating rates has been 50 basis points higher/lower with all variables held constant, profit before income tax for the periods then ended would have been approximately RMB362,000, RMB360,000, RMB322,000 and RMB104,000, higher/lower, respectively, mainly as a result of higher/lower interest expenses from borrowings.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, trade and other receivables and amounts due from shareholders.

(i) Risk management

For cash and cash equivalents, management manages the credit risk by placing deposits in high quality financial institutions and other institutions with sound credit ratings.

For trade and other receivables, the Group has policies in place to ensure that sales of product and service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The carrying amounts of cash and cash equivalents, amounts due from shareholders as well as trade and other receivables represent the Group's maximum exposure to credit risk in relation to the assets.

(ii) Impairment of financial assets

The Group has below types of assets subject to IFRS 9's expected credit loss model:

- Cash and cash equivalents
- Amounts due from shareholders
- Trade receivables
- Other receivables

Cash and cash equivalents

While the Group's cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were with sound credit ratings.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3 Financial risk management—continued****3.1 Financial risk factors—continued***Amounts due from shareholders*

For amounts due from shareholders, the Group has assessed the expected credit losses of these balances and the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and the days past due.

The expected loss rates are based on the aging profiles of trade receivables and the corresponding historical credit losses expected. These historical loss rates are then adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group has identified the “business climate index” of the PRC in which it primarily provides its services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

On such basis, the loss allowance as at December 31, 2019, 2020, 2021 and April 30, 2022 was determined as follows for trade receivables:

	<u>Up to 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
As at December 31, 2019							
Expected loss rate	3.85%	7.30%	11.11%	19.22%	30.84%	—	9.55%
Gross carrying amount (RMB'000)	39,901	4,741	477	6,957	7,993	—	60,069
Loss allowance provision (RMB'000)	1,536	346	53	1,337	2,465	—	5,737
As at December 31, 2020							
Expected loss rate	4.15%	8.11%	11.97%	24.20%	35.12%	100.00%	14.94%
Gross carrying amount (RMB'000)	75,620	7,561	117	1,000	1,062	9,840	95,200
Loss allowance provision (RMB'000)	3,137	613	14	242	373	9,840	14,219
As at December 31, 2021							
Expected loss rate	4.37%	9.42%	12.15%	35.49%	—	100.00%	13.76%
Gross carrying amount (RMB'000)	96,786	7,293	6,867	2,536	—	10,395	123,877
Loss allowance provision (RMB'000)	4,228	687	834	900	—	10,395	17,044
As at April 30, 2022							
Expected loss rate	4.53%	9.48%	12.46%	36.31%	—	100.00%	13.32%
Gross carrying amount (RMB'000)	94,825	28,934	11,447	2,371	—	10,395	147,972
Loss allowance provision (RMB'000)	4,291	2,744	1,426	861	—	10,395	19,717

The directors of the Company have carefully re-assessed the lifetime expected credit loss of trade receivables as at December 31, 2020 and 2021 and April 30, 2022, and increased the expected credit loss rate as at December 31, 2020 and 2021 and April 30, 2022 to reflect the adverse impact of COVID-19 to the macroeconomic environment and the PRC pan-entertainment industry.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

The movement of loss allowances for trade receivables for the years ended December 31, 2019, 2020, 2021 and the four months ended April 30, 2021 and 2022 are as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	4,295	5,737	14,219	14,219	17,044
Impairment provision	1,454	8,897	2,876	—	2,688
Write-off	—	(429)	—	—	—
Currency translation difference	(12)	14	(51)	(6)	(15)
At the end of the year/period	<u>5,737</u>	<u>14,219</u>	<u>17,044</u>	<u>14,213</u>	<u>19,717</u>

Other receivables

Other receivables primarily comprise balances resulted from the Group's principal activities with various business partners primarily in the PRC entertainment industry. The impairment loss of these financial assets carried at amortized cost is measured based on the twelve months expected credit loss. The Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations; and
- significant changes in the expected performance and behavior of the borrowers, including changes in the payment status of borrowers in the group and changes in the operating results of the borrowers.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Under such case, the other receivables are classified as stage 2 and subject to lifetime expected losses provision. When the other receivables became past due for more than 90 days, they are treated as credit-impaired and therefore classified as stage 3.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorizes a receivable for write off when a debtor fails to make contractual payments more than three years past due. Where other receivables have been written off, the Company continues to engage in follow-up actions such as

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

enforcement activities to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Management uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies including Moody's.

A summary of the assumptions underpinning the Group's expected credit loss model on other receivables is as follows:

<u>Category</u>	<u>The Group's definition of category</u>	<u>Basis for recognition of expected credit loss provision</u>
Stage 1	Other receivables whose credit risk is in line with original expectations and/or past due for less than 30 days.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2	Other receivables for which a significant increase has occurred compared to original expectations; A significant increase in credit risk is presumed if interest and/or principal repayments are past due for more than 30 days but less than 90 days.	Lifetime expected losses
Stage 3	Interest and/or principal repayments are more than 90 days past due or it becomes probable a customer will enter bankruptcy.	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than three years past due and there is no reasonable expectation of recovery.	Asset is written off

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data. The Group provides for credit losses against other receivables as follows:

<u>As at December 31, 2019</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount				
Loans to third parties and a related party	11,021	—	—	11,021
Rental and other deposits	3,749	—	—	3,749
Others	3,450	—	—	3,450
	<u>18,220</u>	<u>—</u>	<u>—</u>	<u>18,220</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance				
Loans to third parties and a related party	97	—	—	97
Rental and other deposits	210	—	—	210
Others	53	—	—	53
	<u>360</u>	<u>—</u>	<u>—</u>	<u>360</u>
Expected credit loss rate	1.98%	—	—	1.98%
As at December 31, 2020	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount				
Loans to third parties and a related party	13,668	—	—	13,668
Rental and other deposits	4,519	—	—	4,519
Others	3,048	—	—	3,048
	<u>21,235</u>	<u>—</u>	<u>—</u>	<u>21,235</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance				
Loans to third parties and a related party	129	—	—	129
Rental and other deposits	249	—	—	249
Others	39	—	—	39
	<u>417</u>	<u>—</u>	<u>—</u>	<u>417</u>
Expected credit loss rate	1.96%	—	—	1.96%
As at December 31, 2021	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount				
Loans to third parties and a related party	21,875	—	—	21,875
Rental and other deposits	6,380	—	—	6,380
Others	3,241	—	—	3,241
	<u>31,496</u>	<u>—</u>	<u>—</u>	<u>31,496</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance				
Loans to third parties and a related party	599	—	—	599
Rental and other deposits	175	—	—	175
Others	50	—	—	50
	<u>824</u>	<u>—</u>	<u>—</u>	<u>824</u>
Expected credit loss rate	2.62%	—	—	2.62%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

<u>As at April 30, 2022</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount				
Loans to third parties	3,365	—	—	3,365
Rental and other deposits	6,272	—	—	6,272
Others	3,030	—	—	3,030
	<u>12,667</u>	<u>—</u>	<u>—</u>	<u>12,667</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance				
Loans to third parties	99	—	—	99
Rental and other deposits	184	—	—	184
Others	60	—	—	60
	<u>343</u>	<u>—</u>	<u>—</u>	<u>343</u>
Expected credit loss rate	2.71%	—	—	2.71%

The loss allowances for other receivables as at December 31, 2019, 2020 and 2021 and April 30, 2021 and 2022 reconcile to the opening loss allowances as follows:

	<u>Other receivables</u>				
	<u>Year ended December 31,</u>			<u>Four months ended</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year /period	395	360	417	417	824
Impairment provision	(80)	57	420	128	(472)
Currency translation difference	45	—	(13)	(1)	(9)
At the end of the year/period	<u>360</u>	<u>417</u>	<u>824</u>	<u>544</u>	<u>343</u>

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the senior management to finance the Group's operations and mitigate the effects of fluctuations in cash.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2019				
Borrowings	2,037	1,853	73,869	77,759
Trade payables	163,733	—	—	163,733
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	95,843	—	—	95,843
Lease liabilities	5,090	4,028	1,285	10,403
	<u>266,703</u>	<u>5,881</u>	<u>75,154</u>	<u>347,738</u>
At December 31, 2020				
Borrowings	1,853	73,439	—	75,292
Trade payables	156,591	—	—	156,591
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	63,760	—	—	63,760
Lease liabilities	4,436	4,705	2,403	11,544
Redemption liabilities	—	132,013	591,035	723,048
	<u>226,640</u>	<u>210,157</u>	<u>593,438</u>	<u>1,030,235</u>
At December 31, 2021				
Borrowings	65,641	—	—	65,641
Trade payables	213,483	—	—	213,483
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	69,048	—	—	69,048
Lease liabilities	5,967	2,369	2,094	10,430
Redemption liabilities	132,013	—	591,035	723,048
	<u>486,152</u>	<u>2,369</u>	<u>593,129</u>	<u>1,081,650</u>
At April 30, 2022				
Borrowings	65,125	—	—	65,125
Trade payables	127,289	—	—	127,289
Other payables and accruals (excluding salary and staff welfare payables and tax payable)	15,688	—	—	15,688
Lease liabilities	6,205	3,358	1,257	10,820
Financial liabilities at FVPL	132,013	—	591,035	723,048
	<u>346,320</u>	<u>3,358</u>	<u>592,292</u>	<u>941,970</u>

3.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.2 Capital management—continued

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including borrowings and lease liabilities but excluding redemption liabilities) less cash and cash equivalents. Total capital is calculated as total equity (excluding reserve components attributable to redemption liabilities), as shown in the statement of financial position, plus net debt. As at December 31, 2019, 2020 and 2021 and April 30, 2022, the Group has a net cash position.

3.3 Fair value estimation

3.3.1 Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The tables below analyze the Group's financial instruments carried at fair value as at December 31, 2019, 2020, 2021 and April 30, 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2019				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	—	—	873	873
Investments in movies, drama series and variety programs (Note 21(b))	—	—	79,113	79,113
	<u>—</u>	<u>—</u>	<u>79,986</u>	<u>79,986</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

3.3.1 Fair value hierarchy—continued

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2020				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	—	—	194,420	194,420
Investments in movies, drama series and variety programs (Note 21(b))	—	—	20,293	20,293
Investments in unlisted equity securities (Note 21(c))	—	—	800	800
	—	—	215,513	215,513
	==	==	==	==
As at December 31, 2021				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a)) . .	—	—	446,265	446,265
Investments in movies, drama series and variety programs (Note 21(b))	—	—	1,820	1,820
Investments in unlisted equity securities (Note 21(c))	—	—	2,800	2,800
	—	—	450,885	450,885
	==	==	==	==
As at April 30, 2022				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a)) . .	—	—	289,610	289,610
Investments in unlisted equity securities (Note 21(c))	—	—	25,389	25,389
Investments in a listed equity security (Note 21(d))	14,715	—	—	14,715
	14,715	—	314,999	329,714
	==	==	==	==
Financial liabilities at FVPL				
Convertible preferred shares (Note 33)	—	—	2,441,307	2,441,307
	==	==	==	==

There was no transfer of fair value hierarchy levels during the Track Record Period.

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

3.3.2 Valuation techniques used to determine fair values—continued

There were no changes to valuation techniques during the Track Record Period.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

3.3.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including investments in wealth management products, investments in movies, drama series and variety programs and investments in unlisted equity securities for the years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2022.

	Financial assets at FVPL			
	Investments in wealth management products	Investments in movies, drama series and variety programs	Investments in unlisted equity securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	132,698	108,574	—	241,272
Additions	1,060,104	49,710	—	1,109,814
Disposals	(1,204,076)	(24,264)	—	(1,228,340)
Fair value gains/(losses)	12,147	(54,907)	—	(42,760)
As at December 31, 2019	873	79,113	—	79,986
As at January 1, 2020	873	79,113	—	79,986
Additions	1,112,282	10,483	800	1,123,565
Disposals	(932,754)	(37,567)	—	(970,321)
Fair value gains/(losses)	14,019	(31,736)	—	(17,717)
As at December 31, 2020	194,420	20,293	800	215,513
As at January 1, 2021	194,420	20,293	800	215,513
Additions	1,416,000	38,418	2,000	1,456,418
Disposals	(1,185,049)	(23,232)	—	(1,208,281)
Fair value gains/(losses)	20,894	(33,659)	—	(12,765)
As at December 31, 2021	446,265	1,820	2,800	450,885
As at January 1, 2022	446,265	1,820	2,800	450,885
Additions	—	—	22,589	22,589
Disposals	(160,236)	(1,820)	—	(162,056)
Fair value gains	3,581	—	—	3,581
As at April 30, 2022	289,610	—	25,389	314,999

For movements of convertible preferred shares during the four months ended April 30, 2022, please refer to Note 33.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

3.3.4 Valuation process, inputs and relationships to fair value

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments.

The valuation of the level 3 instruments mainly included financial assets being investments in wealth management products (Note 21(a)), investments in movies, drama series and variety programs (Note 21(b)), investments in unlisted equity securities (Note 21(c)) and convertible preferred shares (Note 33). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc.

The investments in wealth management products mainly represent the investments in wealth management products issued by the banks in the PRC with guaranteed principal and floating return rate of investments. The Group used discounted cash flows approach to determine the fair value of the financial product as at period end.

The investments in movies, drama series and variety programs mainly represent the investments in certain movies and drama series and variety programs. The Group used discounted cash flows approach to evaluate the fair value of the investments in movies, drama series and variety programs as at each period end.

The following table summarizes the information about the significant unobservable inputs used in the level 3 fair value measurement of investments in wealth management products and movies, drama series and variety programs:

Description	Fair value at December 31,			Fair value at April 30,	Key inputs and relationships of unobservable inputs to fair value
	2019	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000	
Investments in wealth management products	873	194,420	446,265	289,610	As at December 31, 2019, 2020 and 2021 and April 30, 2022, the expected rates of return range from 3.45% to 4.65%, 1.49% to 3.95%, 2.60% to 3.95%, 3.40% to 4.00% , respectively. The higher the expected rate of return, the higher the fair value.
Investments in movies, drama series and variety programs	79,113	20,293	1,820	—	Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at rates that reflects the internal rate of return of the underlying investments. The higher internal rate of return, the lower the fair value.
Total	<u>79,986</u>	<u>214,713</u>	<u>448,085</u>	<u>289,610</u>	

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3 Financial risk management—continued****3.3 Fair value estimation—continued****3.3.4 Valuation process, inputs and relationships to fair value—continued**

For the significant unobservable inputs and their relationships to the fair value of convertible preferred shares, please refer to Note 33.

The unlisted investments represent the investments in certain privately owned companies. The Group used discounted cash flows approach to evaluate the fair value of the unlisted investments as at each period end. Also, the additional investments made during the four months ended April 30, 2022 were close to April 30, 2022 and therefore, management is of the view that there are no material changes in fair value of the unlisted investments during the four months ended April 30, 2022, unless there is available information about latest round of financing.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the profit before income tax for the years ended December 31, 2019, 2020 and 2021 and for the four months ended April 30, 2021 and 2022 would have been approximately RMB7,999,000, RMB21,551,000, RMB45,089,000, RMB 61,266,000 and RMB31,500,000 higher/lower, respectively.

If the fair values of financial liabilities at FVPL held by the Group had been 10% higher/lower, the profit for the four months ended April 30, 2022 would have been approximately RMB 244,131,000 lower/higher, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

The carrying amount of the Group's other financial assets, including cash and cash equivalents, trade receivables, other receivables, and the Group's financial liabilities, including trade payables, other payables and accruals and lease liabilities, approximate their fair values.

4 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimation of the fair value of certain financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**4 Critical accounting estimates and judgments—continued***(b) Measurement of the expected credit losses*

The measurement of the expected credit losses for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss is further detailed in Notes 3.1(b).

A number of judgments are also required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss; and
- Establishing the number and relative weightings for forward-looking scenarios and the associated expected credit loss.

(c) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgments and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(d) Estimation of redemption liabilities

The Group granted preferential rights to certain shareholders of Group that they have the right to request the Group to purchase the equity interests in Yuehua Limited held by them when certain

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**4 Critical accounting estimates and judgments—continued**

conditions are met. The Group initially recognize the financial liabilities at the present value of the estimated future cash outflows under the redemption arrangement and subsequently carried at amortized cost. If the Group revises its estimates of payments in subsequent periods, the Group will recalculate the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and adjust the carrying amount of the financial liabilities to reflect actual or revised estimated cash outflows in the consolidated balance sheet. The adjustment to the carrying amounts will be recognized in profit or loss.

(e) Recognition of share-based payment expenses

As disclosed in Note 38, the Group issued restricted share units to certain eligible individuals under a share incentive scheme which resulted in the recognition of share-based payment expenses. Significant estimates on key assumptions are required to be made by management in determining the fair value of the issued shares on grant date, including discount rate and discount for lack of control.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-makers, being the executive directors of the Group.

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns majority of the revenue from external customers in the PRC.

During the Track Record Period, all of the Group's revenues are from contracts with customers. Please refer to Note 2.22 for detail of accounting policies on revenue recognition.

During the Track Record Period, the Group's non-current assets other than financial instruments and deferred income tax assets were located in Mainland China and Korea as follows:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	62,479	72,329	68,841	76,391
Korea	124,171	121,345	108,856	105,193
	<u>186,650</u>	<u>193,674</u>	<u>177,697</u>	<u>181,584</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Revenues

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Artist management	530,228	808,241	1,174,842	307,856	316,690
Music IP production and operation	74,734	92,719	77,738	26,056	26,239
Pan-entertainment business	26,474	21,082	37,869	7,378	9,970
	<u>631,436</u>	<u>922,042</u>	<u>1,290,449</u>	<u>341,290</u>	<u>352,899</u>

The timing of revenue recognition of the Group's revenue was as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue at a point in time	157,791	230,031	293,766	58,082	66,219
Revenue over time	473,645	692,011	996,683	283,208	286,680
	<u>631,436</u>	<u>922,042</u>	<u>1,290,449</u>	<u>341,290</u>	<u>352,899</u>

During the Track Record Period, there were no customers who contributed to 10% or more of the total revenue of the Group in each respective year.

Contract liabilities of the Group represent non-refundable advanced payments received from the customers for services that have not yet been transferred to the customers. Changes in the balances of such liabilities during the Track Record Period was mainly due to the growth of the Group's services and fluctuations in sales with advanced payments.

The following table shows how much of the revenue is recognized during the Track Record Period relates to carried-forward contract liabilities.

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognized that was included in contract liabilities at the beginning of each of the year/period . .	<u>64,213</u>	<u>71,666</u>	<u>151,342</u>	<u>85,196</u>	<u>116,955</u>

The amount of transaction prices allocated to the remaining unsatisfied or partially unsatisfied performance obligations during the Track Record Period are as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Amount expected to be recognized as revenue:					
- Within one year	71,666	151,342	187,234	212,362	130,250
- More than one year but less than two years	31,569	50,899	52,851	30,149	32,204
	<u>103,235</u>	<u>202,241</u>	<u>240,085</u>	<u>242,511</u>	<u>162,454</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Revenues—continued

As a practical expedient permitted under IFRS 15, the above balances do not include any estimated amounts of variable consideration that are constrained and not included in the transaction prices.

7 Expenses by nature

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue sharing for artist management business	240,774	318,653	529,193	132,896	148,833
Equity settled share-based payments (Note 38)	—	—	2,068	—	29,119
Employee benefits expenses other than equity settled share-based payments (Note 10)	44,103	48,848	67,819	15,356	17,402
Production costs of music content	27,002	41,608	45,737	7,682	12,043
Artist promotion costs	34,091	43,890	73,436	11,371	9,764
Listing expenses	—	—	16,690	—	7,802
Depreciation of property, plant and equipment (Note 15)	1,284	2,046	4,353	672	2,166
Depreciation of right-of-use assets (Note 17)	6,664	6,480	7,251	2,947	1,833
Professional fees	1,412	3,443	2,002	1,050	1,348
Traveling expenses	5,562	5,315	6,077	2,511	1,161
Rental expenses for short-term and low-value leases (Note 17)	1,581	2,219	2,939	561	973
Advertising and promotion expenses	3,620	7,937	6,237	1,263	769
Taxes and surcharges	4,174	4,938	6,543	1,619	737
Amortization of intangible assets (Note 18)	32,346	1,826	1,826	608	610
Costs of inventories sold	441	1,388	1,606	574	486
Depreciation of investment properties (Note 16)	67	200	192	66	60
Others	11,576	15,173	20,574	3,970	3,012
Total cost of revenue, selling and marketing expenses, and general and administrative expenses	<u>414,697</u>	<u>503,964</u>	<u>794,543</u>	<u>183,146</u>	<u>238,118</u>

8 Other income

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Tax credit of input tax additional deduction	760	2,007	3,519	1,048	1,040
Government subsidies	2,825	4,699	14,281	—	14
Rental income from investment properties (Note 16)	193	597	620	207	188
	<u>3,778</u>	<u>7,303</u>	<u>18,420</u>	<u>1,255</u>	<u>1,242</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Other (losses)/gains, net

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net (losses)/gains on disposal of property, plant and equipment	(115)	171	41	42	—
Fair value losses on movies, drama series and variety programs (Note 21(b))	(54,907)	(31,736)	(33,659)	(4,236)	—
Fair value gains from wealth management products (Note 21(a))	12,147	14,019	20,894	6,414	3,581
Net gains/(losses) on disposal of right-of-use assets	2,843	—	(18)	(8)	4
Gain on liquidation of a subsidiary	—	—	218	218	—
Gains on disposal of associates	—	—	2,068	1,347	—
Net exchange gains/(losses)	36	(976)	1,556	(112)	1,636
Gain on deemed disposal of an associate	—	—	3,011	—	—
Fair value gains from a listed equity security (Note 21(d))	—	—	—	—	2,716
	<u>(39,996)</u>	<u>(18,522)</u>	<u>(5,889)</u>	<u>3,665</u>	<u>7,937</u>

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	35,064	40,608	56,483	11,587	13,762
Welfare, medical and other expenses	6,172	6,136	7,561	2,424	2,226
Contributions to pension plans	2,867	2,104	3,775	1,345	1,414
	<u>44,103</u>	<u>48,848</u>	<u>67,819</u>	<u>15,356</u>	<u>17,402</u>

(a) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes partnerships which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

As at December 31, 2019, 2020 and 2021 and April 30, 2022, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)—continued

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Track Record Period include 1, 2, 2, nil and 1 directors for the years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022 respectively, and their emoluments are reflected in the analysis shown in Note 10(c). The emoluments payable to the remaining 4, 3, 3, 5 and 4 individuals for the Track Record Period are as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries, and bonuses	7,513	5,056	6,369	1,496	1,200
Pension costs – defined contribution plans	122	32	70	62	46
Other social security costs, housing benefits and other employee benefits	202	162	538	185	80
Equity settled share-based payments	—	—	302	—	6,128
	<u>7,837</u>	<u>5,250</u>	<u>7,279</u>	<u>1,743</u>	<u>7,454</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
Emoluments bands:					
Nil to HKD1,000,000 (equivalent to approximately nil to RMB817,600)	—	—	—	5	—
HKD1,000,000 to HKD2,000,000 (equivalent to approximately RMB817,600 to RMB1,635,200)	2	1	—	—	—
HKD2,000,000 to HKD3,000,000 (equivalent to approximately RMB1,635,200 to RMB2,452,800)	—	2	1	—	3
HKD3,000,000 to HKD4,000,000 (equivalent to approximately RMB2,452,800 to RMB3,270,400)	2	—	2	—	—
HKD4,000,000 to HKD5,000,000 (equivalent to approximately RMB3,270,400 to RMB4,088,000)	—	—	—	—	—
HKD5,000,000 to HKD6,000,000 (equivalent to approximately RMB4,088,000 to RMB4,905,000)	—	—	—	—	1
	<u>4</u>	<u>3</u>	<u>3</u>	<u>5</u>	<u>4</u>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Track Record Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)—continued

(c) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

	Director's fee	Wages, salaries, and bonuses	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2019						
Chairlady and executive director:						
Ms. Du	—	620	50	73	—	743
Executive director:						
Mr. SUN Le	—	808	50	73	—	931
	—	1,428	100	146	—	1,674
	=	=	=	=	=	=
For the year ended December 31, 2020						
Chairlady and executive director:						
Ms. Du	—	1,308	4	74	—	1,386
Executive director:						
Mr. SUN Le	—	1,184	4	73	—	1,261
	—	2,492	8	147	—	2,647
	=	=	=	=	=	=
For the year ended December 31, 2021						
Chairlady and executive director:						
Ms. Du	—	1,669	57	81	—	1,807
Executive director:						
Mr. SUN Le	—	1,469	57	79	670	2,275
Mr. SUN Yiding	300	—	—	—	—	300
	300	3,138	114	160	670	4,382
	=	=	=	=	=	=

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)—continued

	Director's fee	Wages, salaries, and bonuses	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
For the four months ended April 30, 2021						
Chairlady and executive director:						
Ms. Du	—	183	20	27	—	230
Executive directors:						
Mr. SUN Le	—	163	20	26	—	209
Mr. SUN Yiding	100	—	—	—	—	100
	<u>100</u>	<u>346</u>	<u>40</u>	<u>53</u>	<u>—</u>	<u>539</u>
For the four months ended April 30, 2022						
Chairlady and executive director:						
Ms. Du	—	243	18	26	—	287
Executive directors:						
Mr. SUN Le	—	179	18	26	4,089	4,312
Mr. SUN Yiding	—	182	14	19	—	215
Non-executive directors:						
Ms. Yao Lu	—	—	—	—	—	—
Mr. Meng Qingguang	—	—	—	—	—	—
Ms. Zhao Wenjie	—	—	—	—	—	—
	<u>—</u>	<u>604</u>	<u>50</u>	<u>71</u>	<u>4,089</u>	<u>4,814</u>

Ms. Du, Mr. SUN Le and Mr. SUN Yiding were appointed as directors of the Company on June 10, 2021, and were re-designated as the executive directors of the Company on March 3, 2022. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Ms. YAO Lu, Mr. MENG Qingguang and Ms. ZHAO Wenjie were appointed as the directors of the Company on January 28, 2022 and were re-designated as the non-executive directors of the Company on March 3, 2022. During the Track Record Period, they received nil directors' remuneration in the capacity of directors.

(d) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the Track Record Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)—continued

(e) *Consideration provided to third parties for making available directors' services*

No consideration provided to third parties for making available Directors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

(f) *Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors*

Save as disclosed in Note 36, no loans, quasi-loans or other dealings are entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(g) *Directors' material interests in transactions, arrangements or contract*

Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

11 Finance costs, net

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
- Interest income from bank deposits	1,222	3,150	4,455	430	940
- Interest income from loans to third parties and a related party	—	543	760	233	274
	1,222	3,693	5,215	663	1,214
Finance costs					
- Interest expenses on bank borrowings	(539)	(2,037)	(1,853)	(636)	(575)
- Interest expenses on lease liabilities	(1,382)	(420)	(415)	(143)	(138)
- Interest expenses on redemption liabilities (Note 32)	—	(3,909)	(40,481)	(13,112)	(3,406)
	(1,921)	(6,366)	(42,749)	(13,891)	(4,119)
Finance costs – net	(699)	(2,673)	(37,534)	(13,228)	(2,905)

12 Income tax expense

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax					
- PRC corporate income tax	44,888	98,282	122,744	35,868	29,621
- Hong Kong profits tax	859	510	1,012	419	790
- Korea corporate income tax	4,328	3,440	2,295	671	568
Deferred income tax (Note 28)	(177)	(1,643)	(344)	(185)	(599)
Income tax expense	49,898	100,589	125,707	36,773	30,380

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Income tax expense—continued

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to subsidiaries comparing the Group as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax expense	169,231	392,535	461,039	147,506	110,900
Add: share of losses of investments accounted for using the equity method	9,217	2,697	6,568	2,202	1,096
	<u>178,448</u>	<u>395,232</u>	<u>467,607</u>	<u>149,708</u>	<u>111,996</u>
Tax calculated at the applicable tax rates of respective subsidiaries	48,329	98,316	99,784	32,745	20,100
Expenses not deductible for tax purposes	1,503	2,214	18,118	3,980	8,863
Tax losses not recognized for deferred tax assets	66	59	7,805	48	1,417
Income tax expense	<u>49,898</u>	<u>100,589</u>	<u>125,707</u>	<u>36,773</u>	<u>30,380</u>

(a) Hong Kong Profits Tax

Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profits up to HKD2,000,000; and 16.5% on any part of the estimated assessable profits over HKD2,000,000 during the Track Record Period.

(b) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the Track Record Period.

As stipulated in Cai Shui 2011 No. 112, enterprises newly established in Horgos special economic areas during the periods from January 1, 2010 to December 31, 2020 could enjoy corporate income tax ("CIT") exemption for five years starting from the year in which the first revenue was generated. According to the Filing Record of Preferential CIT 《企業所得稅優惠事項備案表》, Horgos Yuehua, a subsidiary established in Horgos special economic areas, was entitled to such CIT exemption from January 1, 2016 to December 31, 2020.

As stipulated in Zang Zheng Fa 2018 No. 25, Zang Zheng Fa 2021 No. 9 and Zang Zheng Fa 2022 No. 11, enterprises established in Tibet that fulfilled certain criteria could enjoy overall preferential CIT rate of 9% during the periods from January 1, 2018 to December 31, 2025. Tibet Yuehua Culture Communication Co., Ltd., a subsidiary established in Tibet, was entitled to such CIT benefit during the periods from January 1, 2018 to April 30, 2022, and will continue to be subject to such CIT benefit if it continues to meet certain criteria set forth in Zang Zheng Fa 2022 No. 11.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Income tax expense—continued

(c) Korea corporate income Tax

Korea corporate income tax has been provided at the rates of 11% on the first KRW200,000,000 (equivalent to approximately RMB1,186,000, RMB1,173,000, RMB1,124,000 and RMB1,050,000 during the Track Record Period) of the tax base, 22% up to KRW20,000,000,000 (equivalent to approximately RMB118,589,000, RMB117,266,000, RMB112,372,000 and RMB105,027,000 during the Track Record Period), 24.2% for amounts up to KRW300,000,000,000 (equivalent to approximately RMB1,778,832,000, RMB1,758,989,000, RMB1,685,583,000 and RMB1,575,403,000 during the Track Record Period) and 27.5% over KRW300,000,000,000 (equivalent to approximately RMB1,778,832,000, RMB1,758,989,000, RMB1,685,583,000 and RMB1,575,403,000 during the Track Record Period) on the estimated assessable profits of the Group's operations in Korea during the Track Record Period.

13 Dividends

Dividends in the 2020 represented dividends declared by the companies now comprising the Group to the then owners of the companies during the Track Record period after eliminating intra-group dividends. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

Pursuant to a written resolution passed in March 2022, the Company has issued a special dividend of USD62,997,000 (equivalent to approximately RMB399,320,000).

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividends declared and paid by Yuehua Limited to its then shareholders	—	200,000	—	—	—
Dividends declared and settled by the Company to its ordinary shareholders (Note 34(c))	—	—	—	—	202,053
Dividends declared and paid by the Company to its ordinary shareholders	—	—	—	—	57,898
Dividends declared and paid by the Company to the holders of convertible preferred shares	—	—	—	—	139,369
	—	<u>200,000</u>	—	—	<u>399,320</u>
	==	==	==	==	==

14 Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

In determining the weighted average number of ordinary shares deemed to be in issue during the Track Record Period, 71,510,865 shares, being the number of ordinary shares issued by the Company on June 10, 2021 (date of incorporation), were deemed to have been allotted and issued on January 1, 2019 as if the Company has been incorporated by then, when computing the basic and diluted earnings per share for the years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2021 and 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 Earnings per share—continued

(a) Basic earnings per share

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	119,023	291,370	336,684	110,406	80,301
Weighted average number of ordinary shares in issue (Note 25)	71,510,865	71,510,865	71,510,865	71,510,865	71,510,865
Basic earnings per share (RMB)	<u>1.66</u>	<u>4.07</u>	<u>4.71</u>	<u>1.54</u>	<u>1.12</u>

(b) Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares pursuant to the convertible preferred shares (Note 33), which were deemed to have been allotted and issued on January 1, 2019 as if the Company has been incorporated by then. For restricted shares granted as detailed in Note 38, they are contingently issuable shares and have therefore been excluded in the calculation of diluted earnings per share as the relevant conditions for the issuance of these shares have not been satisfied.

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	119,023	291,370	336,684	110,406	80,301
Adjustment for interest expenses on redemption liabilities (Note 32) and fair value changes of convertible preferred shares (Note 33) (RMB'000)	—	3,909	40,481	13,112	10,249
Profit used to determine diluted earnings per share (RMB'000)	<u>119,023</u>	<u>295,279</u>	<u>377,165</u>	<u>123,518</u>	<u>90,550</u>
Weighted average number of ordinary shares in issue (Note 25)	71,510,865	71,510,865	71,510,865	71,510,865	71,510,865
Adjustment for convertible preferred shares (Note 33)	<u>38,489,135</u>	<u>38,489,135</u>	<u>38,489,135</u>	<u>38,489,135</u>	<u>38,489,135</u>
	<u>110,000,000</u>	<u>110,000,000</u>	<u>110,000,000</u>	<u>110,000,000</u>	<u>110,000,000</u>
Diluted earnings per share (RMB)	<u>1.08</u>	<u>2.68</u>	<u>3.43</u>	<u>1.12</u>	<u>0.82</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment

	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019							
Cost	—	—	778	2,297	3,791	—	6,866
Accumulated depreciation	—	—	(641)	(1,385)	(2,068)	—	(4,094)
Net book amount	—	—	137	912	1,723	—	2,772
Year ended December 31, 2019							
Opening net book amount	—	—	137	912	1,723	—	2,772
Additions	81,682	15,977	10	586	828	3,558	102,641
Depreciation charge	—	(133)	(131)	(361)	(600)	(59)	(1,284)
Disposal	—	—	—	(115)	—	—	(115)
Currency translation differences	1,408	273	(4)	(8)	(2)	60	1,727
Closing net book amount	83,090	16,117	12	1,014	1,949	3,559	105,741
At December 31, 2019							
Cost	83,090	16,252	777	2,407	4,618	3,619	110,763
Accumulated depreciation	—	(135)	(765)	(1,393)	(2,669)	(60)	(5,022)
Net book amount	83,090	16,117	12	1,014	1,949	3,559	105,741
At January 1, 2020							
Cost	83,090	16,252	777	2,407	4,618	3,619	110,763
Accumulated depreciation	—	(135)	(765)	(1,393)	(2,669)	(60)	(5,022)
Net book amount	83,090	16,117	12	1,014	1,949	3,559	105,741
Year ended December 31, 2020							
Opening net book amount	83,090	16,117	12	1,014	1,949	3,559	105,741
Additions	—	—	215	379	72	2,878	3,544
Depreciation charge	—	(395)	(16)	(346)	(585)	(704)	(2,046)
Disposal	—	—	(2)	(44)	(129)	—	(175)
Currency translation differences	(476)	(102)	5	(5)	(1)	(37)	(616)
Closing net book amount	82,614	15,620	214	998	1,306	5,696	106,448
At December 31, 2020							
Cost	82,614	16,159	951	1,956	2,002	6,476	110,158
Accumulated depreciation	—	(539)	(737)	(958)	(696)	(780)	(3,710)
Net book amount	82,614	15,620	214	998	1,306	5,696	106,448

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment—continued

	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021							
Cost	82,614	16,159	951	1,956	2,002	6,476	110,158
Accumulated depreciation	—	(539)	(737)	(958)	(696)	(780)	(3,710)
Net book amount	<u>82,614</u>	<u>15,620</u>	<u>214</u>	<u>998</u>	<u>1,306</u>	<u>5,696</u>	<u>106,448</u>
Year ended December 31, 2021							
Opening net book amount	82,614	15,620	214	998	1,306	5,696	106,448
Additions	—	—	936	2,101	1,874	7,453	12,364
Depreciation charge	—	(379)	(60)	(487)	(598)	(2,829)	(4,353)
Disposal	—	—	(1)	(9)	—	—	(10)
Currency translation differences	(8,772)	(1,641)	(20)	(80)	(23)	(268)	(10,804)
Closing net book amount	<u>73,842</u>	<u>13,600</u>	<u>1,069</u>	<u>2,523</u>	<u>2,559</u>	<u>10,052</u>	<u>103,645</u>
At December 31, 2021							
Cost	73,842	14,443	1,786	3,807	3,846	13,547	111,271
Accumulated depreciation	—	(843)	(717)	(1,284)	(1,287)	(3,495)	(7,626)
Net book amount	<u>73,842</u>	<u>13,600</u>	<u>1,069</u>	<u>2,523</u>	<u>2,559</u>	<u>10,052</u>	<u>103,645</u>
	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)							
At January 1, 2021							
Cost	82,614	16,159	951	1,956	2,002	6,476	110,158
Accumulated depreciation	—	(539)	(737)	(958)	(696)	(780)	(3,710)
Net book amount	<u>82,614</u>	<u>15,620</u>	<u>214</u>	<u>998</u>	<u>1,306</u>	<u>5,696</u>	<u>106,448</u>
Four months ended April 30, 2021							
Opening net book amount	82,614	15,620	214	998	1,306	5,696	106,448
Additions	—	—	—	108	1,420	4,625	6,153
Depreciation charge	—	(130)	(15)	(140)	(149)	(238)	(672)
Currency translation differences	(2,194)	(416)	(6)	(13)	(1)	(77)	(2,707)
Closing net book amount	<u>80,420</u>	<u>15,074</u>	<u>193</u>	<u>953</u>	<u>2,576</u>	<u>10,006</u>	<u>109,222</u>
At April 30, 2021							
Cost	80,420	15,729	925	2,042	3,420	11,005	113,541
Accumulated depreciation	—	(655)	(732)	(1,089)	(844)	(999)	(4,319)
Net book amount	<u>80,420</u>	<u>15,074</u>	<u>193</u>	<u>953</u>	<u>2,576</u>	<u>10,006</u>	<u>109,222</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment—continued

	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022							
Cost	73,842	14,443	1,786	3,807	3,846	13,547	111,271
Accumulated depreciation	—	(843)	(717)	(1,284)	(1,287)	(3,495)	(7,626)
Net book amount	<u>73,842</u>	<u>13,600</u>	<u>1,069</u>	<u>2,523</u>	<u>2,559</u>	<u>10,052</u>	<u>103,645</u>
Four months ended April 30, 2022							
Opening net book amount	73,842	13,600	1,069	2,523	2,559	10,052	103,645
Additions	—	—	20	485	—	1,522	2,027
Depreciation charge	—	(118)	(73)	(319)	(245)	(1,411)	(2,166)
Currency translation differences	(2,094)	(384)	(4)	(29)	(12)	(50)	(2,573)
Closing net book amount	<u>71,748</u>	<u>13,098</u>	<u>1,012</u>	<u>2,660</u>	<u>2,302</u>	<u>10,113</u>	<u>100,933</u>
At April 30, 2022							
Cost	71,748	14,034	1,782	4,249	3,832	14,978	110,623
Accumulated depreciation	—	(936)	(770)	(1,589)	(1,530)	(4,865)	(9,690)
Net book amount	<u>71,748</u>	<u>13,098</u>	<u>1,012</u>	<u>2,660</u>	<u>2,302</u>	<u>10,113</u>	<u>100,933</u>

Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of revenue	151	312	1,436	225	758
Selling and marketing expenses	350	544	1,113	201	844
General and administrative expenses	783	1,190	1,804	246	564
	<u>1,284</u>	<u>2,046</u>	<u>4,353</u>	<u>672</u>	<u>2,166</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16 Investment properties

	<u>Building</u> RMB'000	<u>Freehold land</u> RMB'000	<u>Total</u> RMB'000
Year ended December 31, 2019			
Opening net book amount	—	—	—
Addition	8,084	7,999	16,083
Depreciation charge	(67)	—	(67)
Currency translation differences	138	138	276
Closing net book amount	<u>8,155</u>	<u>8,137</u>	<u>16,292</u>
At December 31, 2019			
Cost	8,222	8,137	16,359
Accumulated amortization	(67)	—	(67)
Net book amount	<u>8,155</u>	<u>8,137</u>	<u>16,292</u>
Year ended December 31, 2020			
Opening net book amount	8,155	8,137	16,292
Depreciation charge	(200)	—	(200)
Currency translation differences	(52)	(47)	(99)
Closing net book amount	<u>7,903</u>	<u>8,090</u>	<u>15,993</u>
At December 31, 2020			
Cost	8,176	8,090	16,266
Accumulated amortization	(273)	—	(273)
Net book amount	<u>7,903</u>	<u>8,090</u>	<u>15,993</u>
Year ended December 31, 2021			
Opening net book amount	7,903	8,090	15,993
Depreciation charge	(192)	—	(192)
Currency translation differences	(830)	(859)	(1,689)
Closing net book amount	<u>6,881</u>	<u>7,231</u>	<u>14,112</u>
At December 31, 2021			
Cost	7,307	7,231	14,538
Accumulated amortization	(426)	—	(426)
Net book amount	<u>6,881</u>	<u>7,231</u>	<u>14,112</u>
(Unaudited)			
Four months ended April 30, 2021			
Opening net book amount	7,903	8,090	15,993
Depreciation charge	(66)	—	(66)
Currency translation differences	(210)	(215)	(425)
Closing net book amount	<u>7,627</u>	<u>7,875</u>	<u>15,502</u>
At April 30, 2021			
Cost	7,959	7,875	15,834
Accumulated amortization	(332)	—	(332)
Net book amount	<u>7,627</u>	<u>7,875</u>	<u>15,502</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16 Investment properties—continued

	<u>Building</u> RMB'000	<u>Freehold land</u> RMB'000	<u>Total</u> RMB'000
Four months ended April 30, 2022			
Opening net book amount	6,881	7,231	14,112
Depreciation charge	(60)	—	(60)
Currency translation differences	(194)	(205)	(399)
Closing net book amount	<u>6,627</u>	<u>7,026</u>	<u>13,653</u>
At April 30, 2022			
Cost	7,100	7,026	14,126
Accumulated amortization	(473)	—	(473)
Net book amount	<u>6,627</u>	<u>7,026</u>	<u>13,653</u>

Depreciation of the Group's investment properties has been recognized as follows:

	<u>Year ended December 31,</u>			<u>Four months ended April 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
General and administrative expenses	<u>67</u>	<u>200</u>	<u>192</u>	<u>66</u>	<u>60</u>

The valuation of the investment properties as at December 31, 2019, 2020 and 2021 and April 30, 2022 (including the related freehold land in Korea with net book value of approximately RMB8,137,000, RMB8,090,000, RMB7,231,000 and RMB7,026,000 respectively) were RMB16,442,000, RMB16,810,000, RMB15,882,000 and RMB15,432,000 respectively, which was determined by the directors of the Company on an open market value basis using the sales comparison approach.

17 Leases

(a) Amounts recognized in the statements of financial position

The statements of financial position show the following amounts relating to leases:

	<u>As at December 31,</u>			<u>As at April 30,</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets				
- Buildings	8,983	14,151	9,451	7,929
- Motor vehicles	3,125	2,532	2,770	2,882
	<u>12,108</u>	<u>16,683</u>	<u>12,221</u>	<u>10,811</u>
Lease liabilities				
- Current	4,777	4,314	5,143	5,774
- Non-current	5,176	6,542	5,066	4,288
	<u>9,953</u>	<u>10,856</u>	<u>10,209</u>	<u>10,062</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Leases—continued

(b) Right-of-use assets

	<u>Building</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As at January 1, 2019	29,449	3,458	32,907
Additions	8,388	559	8,947
Depreciation charge	(5,802)	(862)	(6,664)
Disposal	(22,987)	—	(22,987)
Currency translation differences	(65)	(30)	(95)
At December 31, 2019	<u>8,983</u>	<u>3,125</u>	<u>12,108</u>
As at January 1, 2020	8,983	3,125	12,108
Additions	10,758	343	11,101
Depreciation charge	(5,561)	(919)	(6,480)
Currency translation differences	(29)	(17)	(46)
At December 31, 2020	<u>14,151</u>	<u>2,532</u>	<u>16,683</u>
As at January 1, 2021	14,151	2,532	16,683
Additions	3,441	1,826	5,267
Depreciation charge	(6,237)	(1,014)	(7,251)
Disposal	(1,705)	(363)	(2,068)
Currency translation differences	(199)	(211)	(410)
At December 31, 2021	<u>9,451</u>	<u>2,770</u>	<u>12,221</u>
As at January 1, 2022	9,451	2,770	12,221
Additions	—	552	552
Depreciation charge	(1,479)	(354)	(1,833)
Disposal	—	(21)	(21)
Currency translation differences	(43)	(65)	(108)
At April 30, 2022	<u>7,929</u>	<u>2,882</u>	<u>10,811</u>

(c) Amounts recognized in profit or loss

The consolidated statements of comprehensive income show the following amounts relating to leases:

	<u>Year ended December 31,</u>			<u>Four months ended April 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Depreciation charge of right-of-use assets					
- Buildings	5,802	5,561	6,237	2,621	1,479
- Motor vehicles	862	919	1,014	326	354
Interest expense (included in finance costs)					
(Note 11)	1,382	420	415	143	138
Expense relating to short-term low-value leases					
(Note 7)	1,581	2,219	2,939	561	973

The Group leases certain offices and motor vehicles. Rental contracts for offices are typically made for fixed periods of 24 months to 60 months. Rental contracts for motor vehicles are typically made for fixed periods of 48 months to 60 months.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Leases—continued

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes.

(d) Amounts recognized in profit or loss

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash outflows from operating activities					
- Payments for short-term leases (*)	1,581	2,219	2,939	561	973
Cash outflows from financing activities					
- Payment of principal and interest element of lease liabilities	5,787	10,618	4,279	1,750	812

* Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations which were presented in Note 34(a) using the indirect method.

(e) Variable lease payments

No variable payment terms are contained in the leases.

(f) Extension and termination options

Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

(g) Residual value guarantees

No residual value guarantees are provided in relation to leases.

18 Intangible assets

	Software	Music copyrights	Movie rights - under Production (a)	Movie rights - completed production (a)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019					
Cost	83	6,216	29,044	—	35,343
Accumulated amortization	(83)	(1,368)	—	—	(1,451)
Net book amount	—	4,848	29,044	—	33,892
Year ended December 31, 2019					
Opening net book amount	—	4,848	29,044	—	33,892
Addition	23	6,132	1,794	—	7,949
Transfer	—	—	(30,838)	30,838	—
Amortization charge	(2)	(1,506)	—	(30,838)	(32,346)
Closing net book amount	21	9,474	—	—	9,495

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18 Intangible assets—continued

	Software RMB'000	Music copyrights RMB'000	Movie rights - under Production (a) RMB'000	Movie rights - completed production (a) RMB'000	Total RMB'000
At December 31, 2019					
Cost	106	12,348	—	30,838	43,292
Accumulated amortization	(85)	(2,874)	—	(30,838)	(33,797)
Net book amount	<u>21</u>	<u>9,474</u>	<u>—</u>	<u>—</u>	<u>9,495</u>
Year ended December 31, 2020					
Opening net book amount	21	9,474	—	—	9,495
Amortization charge	(5)	(1,821)	—	—	(1,826)
Closing net book amount	<u>16</u>	<u>7,653</u>	<u>—</u>	<u>—</u>	<u>7,669</u>
At December 31, 2020					
Cost	106	12,348	—	30,838	43,292
Accumulated amortization	(90)	(4,695)	—	(30,838)	(35,623)
Net book amount	<u>16</u>	<u>7,653</u>	<u>—</u>	<u>—</u>	<u>7,669</u>
Year ended December 31, 2021					
Opening net book amount	16	7,653	—	—	7,669
Amortization charge	(5)	(1,821)	—	—	(1,826)
Closing net book amount	<u>11</u>	<u>5,832</u>	<u>—</u>	<u>—</u>	<u>5,843</u>
At December 31, 2021					
Cost	106	12,348	—	30,838	43,292
Accumulated amortization	(95)	(6,516)	—	(30,838)	(37,449)
Net book amount	<u>11</u>	<u>5,832</u>	<u>—</u>	<u>—</u>	<u>5,843</u>
(Unaudited)					
Four months ended April 30, 2021					
Opening net book amount	16	7,653	—	—	7,669
Amortization charge	(2)	(606)	—	—	(608)
Closing net book amount	<u>14</u>	<u>7,047</u>	<u>—</u>	<u>—</u>	<u>7,061</u>
At April 30, 2021					
Cost	106	12,348	—	30,838	43,292
Accumulated amortization	(92)	(5,301)	—	(30,838)	(36,231)
Net book amount	<u>14</u>	<u>7,047</u>	<u>—</u>	<u>—</u>	<u>7,061</u>
Four months ended April 30, 2022					
Opening net book amount	11	5,832	—	—	5,843
Additions	106	—	—	—	106
Amortization charge	(4)	(606)	—	—	(610)
Closing net book amount	<u>113</u>	<u>5,226</u>	<u>—</u>	<u>—</u>	<u>5,339</u>
At April 30, 2022					
Cost	212	12,348	—	30,838	43,398
Accumulated amortization	(99)	(7,122)	—	(30,838)	(38,059)
Net book amount	<u>113</u>	<u>5,226</u>	<u>—</u>	<u>—</u>	<u>5,339</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18 Intangible assets—continued

- (a) The balance of “movie rights-under production” as at January 1, 2019 represented the cumulative production costs incurred for a movie controlled by the Group and still under production then as at January 1, 2019.

The production of this movie was completed during the year ended December 31, 2019 and the entire carrying amount was then reclassified to “movie rights-completed production”. This movie was publicly exhibited in theaters in the same year and the entire balance of “movie rights-completed production” was therefore fully amortized.

Depreciation of the Group’s intangible assets has been recognized as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of revenue	32,344	1,821	1,821	606	606
General and administrative expenses	2	5	5	2	4
	<u>32,346</u>	<u>1,826</u>	<u>1,826</u>	<u>608</u>	<u>610</u>

19 Investments accounted for using the equity method

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	49,898	43,014	46,081	46,081	39,076
Additions	2,333	5,788	—	—	10,000
Disposals (Note a)	—	—	(3,434)	(1,653)	(37,236)
Share of losses of investments accounted for using the equity	(9,217)	(2,697)	(6,568)	(2,202)	(1,096)
Deemed disposal gain from an associate (Note a)	—	—	3,011	—	—
Currency translation differences	—	(24)	(14)	(12)	—
At the end of the year/period	<u>43,014</u>	<u>46,081</u>	<u>39,076</u>	<u>42,214</u>	<u>10,744</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Investments accounted for using the equity method—continued

As at December 31, 2019, 2020 and 2021 and April 30, 2022, the associates of the Group, which were accounted for using equity method, were as follows:

Company Name	Date of Incorporation	Principal activities and place of operation	Registered capital	Percentage of ownership interest attributable to the group				As at the date of this report
				As at December 31,		As at April 30,		
				2019	2020	2021	2022	
Beijing Tianhao Shengshi Entertainment Culture Co., Ltd. (北京天浩盛世娛樂文化有限公司, “Beijing Tianhao”)(Note a)	December 24, 2014	PRC; Cultural and artistic communication	RMB42,439,000	20.00%	20.00%	19.50%	—	—
Zhejiang Shengtenghui Brand Management Co., Ltd. (浙江盛騰輝品牌管理有限公司, “Zhejiang Shengtenghui”)	November 19, 2018	PRC; Business management and marketing	RMB11,660,000	20.00%	20.00%	20.00%	20.00%	20.00%
Starsugar (Beijing) Technology Co., Ltd. (思達杼格(北京)科技有限公司, “Starsugar”)	January 23, 2019	PRC; Technical and cultural service	RMB1,111,000	—	37.24%	37.24%	37.24%	37.24%
Hangzhou Agile Groups Network Technology Co., Ltd. (杭州小群網絡科技有限公司, “Hangzhou Agile”)(Note b)	November 6, 2019	PRC; Food sales and technical service	RMB5,749,000	—	33.40%	9.08%	7.72%	7.72%
Agile Groups International (HK) Limited (小群國際(香港)有限公司, “Agile Groups”)	December 31, 2019	Hong Kong; Food sales and technical service	HKD10,000	—	33.40%	—	—	—
Candy (Shanghai) Cosmetics Co., Ltd. (糖果(上海)化妝品有限公司, “Candy Cosmetics”)(Note c)	May 21, 2020	PRC; Cosmetic sales and biotechnical service	RMB11,696,000	—	—	—	10.00%	10.00%

The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The Group determined that it does not have controlling interest in above investees, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There is no contingent liabilities relating to the Group's interest in the associates.

Note a: Deemed disposal gain of approximately RMB3,011,000 was recognized during the year ended December 31, 2021 with respect to the dilution of the Group's equity interest in Beijing Tianhao

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Investments accounted for using the equity method—continued

from 20% to 19.5% after new equity interests were issued by Beijing Tianhao to an independent third-party investor in December 2021. Management determined that the Group can exercise significant influence over Beijing Tianhao through the board representation, notwithstanding the shareholding is below 20%.

Pursuant to the dismantlement of contractual arrangements in respect of Horgos Yuehua and the deemed distribution which were accounted for as an equity transaction (i.e. distribution to owners), as detailed in Note 1.2(g)(i), the Group's investment in Beijing Tianhao held by Horgos Yuehua, together with other assets and liabilities of Horgos Yuehua, were fully derecognized and resulted in a total credit of approximately RMB565,000 to total equity with no impact to profit or loss. For details of the cash flow impact from this deemed distribution, please refer to Note 34 (d).

Note b: Management determined that the Group can exercise significant influence over Hangzhou Agile through the board representation, notwithstanding the shareholding is below 20%.

Note c: Management determined that the Group can exercise significant influence over Candy Cosmetics through the board representation, notwithstanding the shareholding is below 20%.

The following table reconciles the net assets of the Beijing Tianhao to the carrying amount of the Group's interest in the associates as at December 31, 2019, 2020 and 2021 and April 30, 2022:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Reconciliation to carrying amount:				
Opening net assets as at beginning of the year	109,338	65,780	68,930	56,245
(Loss)/profit for the year	(43,558)	3,150	(32,685)	(5,443)
Capital injection	—	—	20,000	—
Closing net assets as at end of the year	65,780	68,930	56,245	50,802
Percentage of interest	20.00%	20.00%	19.50%	19.50%
Interest in the associate	13,156	13,786	10,968	9,906
Goodwill	28,031	28,031	27,330	27,330
Disposal (Note a)	—	—	—	(37,236)
Carrying amount	41,187	41,817	38,298	—

With the assistance of valuation performed by a third-party independent valuer, and with reference to the latest round of financing by Beijing Tianhao with an independent third party investor towards the end of December 2021 which resulted in deemed disposal gain as detailed in Note a, the directors of the Company assessed that the recoverable amount of investment in Beijing Tianhao as at December 31, 2019, 2020 and 2021 was higher than the respective carrying amount of investment, and accordingly considered that there were no impairment in the carrying values of the Group's investment in Beijing Tianhao.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Investments accounted for using the equity method—continued

In addition to the interests in Beijing Tianhao disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	1,827	4,264	778	2,576	10,744
Aggregate amounts of the Group's share of these associates' losses	(505)	(3,327)	(38)	(23)	(34)

20 Financial instruments by category

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortized cost				
Trade receivables (Note 23)	54,332	80,981	106,833	128,255
Prepayments and other receivables (excluding prepayments and other tax recoverables)	17,860	20,818	30,672	12,324
Cash and cash equivalents (Note 24)	616,662	651,924	546,559	519,892
Amounts due from shareholders (Notes 1.2(e) and 25)	—	—	344,600	—
	688,854	753,723	1,028,664	660,471
Financial assets at FVPL (Note 21)	79,986	215,513	450,885	329,714
	768,840	969,236	1,479,549	990,185
Financial liabilities				
Financial liabilities at amortized cost				
Trade payables (Note 30)	163,733	156,591	213,483	127,289
Other payables and accruals (excluding accrued payroll and employee benefit expenses, VAT and surcharges payable)	95,843	63,760	69,048	15,688
Lease liabilities (Note 17)	9,953	10,856	10,209	10,062
Borrowings (Note 29)	72,381	71,964	64,322	62,500
Redemption liabilities (Note 32)	—	570,995	611,476	—
	341,910	874,166	968,538	215,539
Financial liabilities at FVPL (Note 33)	—	—	—	2,441,307
	341,910	874,166	968,538	2,656,846

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets mentioned above.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Financial assets at fair value through profit or loss

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion				
Investments in wealth management products ^(a)	873	194,420	446,265	289,610
Investments in movies, drama series, and variety programs ^(b)	79,113	20,293	1,820	—
	79,986	214,713	448,085	289,610
Non-current portion				
Investments in unlisted equity securities ^(c)	—	800	2,800	25,389
Investment in a listed equity security ^(d)	—	—	—	14,715
	—	800	2,800	40,104
	79,986	215,513	450,885	329,714

(a) Investments in wealth management products

Movements in investments in wealth management products were as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	132,698	873	194,420	194,420	446,265
Additions	1,060,104	1,112,282	1,416,000	440,000	—
Disposals	(1,204,076)	(932,754)	(1,185,049)	(55,547)	(160,236)
Fair value changes (Note 9)	12,147	14,019	20,894	6,414	3,581
At the end of the year/period	873	194,420	446,265	585,287	289,610

The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at FVPL. Changes in fair value of these financial assets are recognized in “other (losses)/gains, net” in the consolidated statements of comprehensive income. For the fair value estimation, please refer to Note 3.3 for details.

As at December 31, 2019, 2020 and 2021 and April 30, 2022, all wealth management products mature within 1 year.

(b) Investments in movies, drama series and variety programs

Movements in investments in movies, drama series and variety programs were as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	108,574	79,113	20,293	20,293	1,820
Additions	49,710	10,483	38,418	20,014	—
Disposals	(24,264)	(37,567)	(23,232)	(9,495)	(1,820)
Fair value changes (Note 9)	(54,907)	(31,736)	(33,659)	(4,236)	—
At the end of the year/period	79,113	20,293	1,820	26,576	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Financial assets at fair value through profit or loss—continued

(c) Investments in unlisted equity securities

The Group's investments in unlisted equity securities included in financial assets at FVPL represent the investments in certain privately owned companies. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investments in unlisted equity securities included in financial assets at FVPL were as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	—	—	800	800	2,800
Additions	—	800	2,000	—	22,589
At the end of the year/period	—	800	2800	800	25,389

(d) Investment in a listed equity security

The Group's investment in a listed equity security included in financial assets at FVPL represent the investment in a certain public company. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investment in a listed equity security included in financial assets at FVPL were as follows:

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	—	—	—	—	—
Additions	—	—	—	—	11,999
Fair value changes (Note 9)	—	—	—	—	2,716
At the end of the year/period	—	—	—	—	14,715

22 Inventories

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Artist-related merchandises and other materials	2,096	1,108	1,132	1,130

No write-downs of inventories to net realizable value were charged to the consolidated statements of comprehensive income during the Track Record Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 Trade receivables, prepayments and other receivables

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables ^(a)	60,069	95,200	123,877	147,972
Less: allowance for impairment (Note 3.1)	(5,737)	(14,219)	(17,044)	(19,717)
Trade receivables – net	<u>54,332</u>	<u>80,981</u>	<u>106,833</u>	<u>128,255</u>
Deferred listing expenses	—	—	5,156	6,072
Prepayments for acquisitions of property, plant and equipment . . .	—	2,371	—	—
Others	1,113	1,916	3,099	1,646
Prepayments	<u>1,113</u>	<u>4,287</u>	<u>8,255</u>	<u>7,718</u>
Loans to third parties and a related party ^(b)	11,021	13,668	21,875	3,365
Rental and other deposits	3,749	4,519	6,380	6,272
Other tax recoverables	1,289	4,831	11,961	9,880
Others	3,450	3,048	3,241	3,030
Less: allowance for impairment (Note 3.1)	(360)	(417)	(824)	(343)
Other receivables - net	<u>19,149</u>	<u>25,649</u>	<u>42,633</u>	<u>22,204</u>
Total prepayments and other receivables	<u>20,262</u>	<u>29,936</u>	<u>50,888</u>	<u>29,922</u>
Less: Non-current deposits and prepayments	(2,446)	(3,694)	(2,158)	(1,997)
Current portion	<u>17,816</u>	<u>26,242</u>	<u>48,730</u>	<u>27,925</u>

(a) Movements on the Group's allowance for impairment of trade receivables are disclosed in Note 3.1.

(b) As at December 31, 2019, 2020 and 2021 and April 30, 2022, loans to third parties and a related party are unsecured and repayable on demand. Except for a loan amounting to approximately RMB10,000,000 which bear interest at 7% per annum as at December 31, 2020 and 2021, and a loan amounting to approximately RMB7,000,000 which bear interest at China's one-year loan prime rate per annum as at December 31, 2021, the remaining loans are interest-free.

The Group normally allows nil to 30 days credit period to its customers. Aging analysis of trade receivables as at December 31, 2019, 2020 and 2021 and April 30, 2022 is as follows:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Aging				
Up to 3 months	39,901	75,620	96,786	94,825
3 to 6 months	4,741	7,561	7,293	28,934
6 months to 1 year	477	117	6,867	11,447
1 to 2 years	6,957	1,000	2,536	2,371
2 to 3 years	7,993	1,062	—	—
Over 3 years	—	9,840	10,395	10,395
	<u>60,069</u>	<u>95,200</u>	<u>123,877</u>	<u>147,972</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Cash and cash equivalents

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank ^(a)	616,662	651,924	546,559	519,892
Maximum exposure to credit risk	616,662	651,924	546,559	519,892

(a) Cash at bank was denominated in the following currencies:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	598,410	631,802	508,594	153,897
USD	17,314	1,211	6,118	346,948
KRW	734	18,584	31,340	18,452
HKD	100	19	45	115
EUR	104	308	462	480
	616,662	651,924	546,559	519,892

25 Share capital and combined capital

(a) *Share capital*

Authorized:

	Number of ordinary shares	Nominal value of ordinary shares
		USD
As at June 10, 2021 (incorporation date of the Company), December 31, 2021 and April 30, 2022 ^(a)	500,000,000	50,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Share capital and combined capital—continued

Issued:

	Number of shares	Nominal value USD	Share capital RMB'000	Treasury shares RMB'000	Total RMB'000
As at June 10, 2021 (incorporation date of the Company) ^(b)	71,510,865	7,151	46	—	46
Issuance of ordinary shares for restricted share unit scheme ^(c)	1,542,500	154	—*	—	—*
Less: Treasury shares for restricted share unit scheme ^(c)	<u>(1,542,500)</u>	<u>(154)</u>	<u>—*</u>	<u>—</u>	<u>—*</u>
As at December 31, 2021	<u>71,510,865</u>	<u>7,151</u>	<u>46</u>	<u>—</u>	<u>46</u>
As at January 1, 2022	73,053,365	7,305	46	—	46
Issuance of ordinary shares for Reorganization (Note 1.2f(i))	1,100,000	110	—*	—	—*
Cancellation of ordinary shares for Reorganization (Note 1.2f(i))	<u>(1,100,000)</u>	<u>(110)</u>	<u>—*</u>	<u>—</u>	<u>—*</u>
Issuance of ordinary shares for restricted share unit scheme ^(d)	4,247,500	425	4	—	4
Less: Treasury shares for restricted share unit scheme ^(d)	<u>(5,790,000)</u>	<u>(579)</u>	<u>—</u>	<u>(4)</u>	<u>(4)</u>
As at April 30, 2022	<u>71,510,865</u>	<u>7,151</u>	<u>50</u>	<u>(4)</u>	<u>46</u>

* The balance was rounded to the nearest thousand.

(a) The Company was incorporated in the Cayman Islands on June 10, 2021 with authorized share capital of USD50,000 divided into 500,000,000 shares of a par value of USD0.0001 each.

(b) On June 10, 2021, 71,510,865 ordinary shares were issued for approximately USD0.0001 pursuant to the Group's Reorganization as detailed in Note 1.2(a). As at December 31, 2021, total issued number and nominal value of ordinary share of the Company amounted to 71,510,865 share and USD7,151 (equivalent to approximately RMB46,000), respectively.

(c) On December 10, 2021, 1,542,500 ordinary shares were issued by the Company to ARK Trust (Hong Kong) Limited, a trustee for the administration for the 2021 share incentive plan of the Company (Note 38) and therefore the ordinary shares issued were presented as treasury shares.

(d) On March 4, 2022, 4,247,500 ordinary shares were issued by the Company to LIGHTSTONE TRUST(HONG KONG) LIMITED, a trustee for the administration for the 2021 share incentive plan of the Company (Note 38) and therefore the ordinary shares issued were presented as treasury shares.

(b) Combined capital

The Reorganization has not been completed as at December 31, 2021. Combined capital as at December 31, 2019, 2020 and 2021 represented the combined capital of the companies now comprising the Group after the elimination of inter-company investments. The balance of combined capital of RMB110,046,000 was reclassified to share capital and other reserves upon the completion of the Reorganization (Note 1.2).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26 Reserves

	Share premium and other reserves	Surplus reserve	Exchange reserve	Share-based compensation reserve	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	70,026	15,780	(1,265)	—	84,541
Appropriation for statutory surplus reserve ^(a)	—	200	—	—	200
Currency translation differences	—	—	(420)	—	(420)
As at December 31, 2019	<u>70,026</u>	<u>15,980</u>	<u>(1,685)</u>	<u>—</u>	<u>84,321</u>
As at January 1, 2020	70,026	15,980	(1,685)	—	84,321
Capital injection by non-controlling interests	1,247	—	—	—	1,247
Appropriation for statutory surplus reserve ^(a)	—	24,974	—	—	24,974
Redesignation of ordinary shares to redemption liabilities as a result of additional redemption rights granted to certain then shareholders of Yuehua Limited (Note 32)	(567,086)	—	—	—	(567,086)
Currency translation differences	—	—	1,257	—	1,257
As at December 31, 2020	<u>(495,813)</u>	<u>40,954</u>	<u>(428)</u>	<u>—</u>	<u>(455,287)</u>
As at January 1, 2021	(495,813)	40,954	(428)	—	(455,287)
Appropriation for statutory surplus reserve ^(a)	—	6	—	—	6
Issuance of shares by the Company	46	—	—	—	46
Equity settled share-based payments (Note 38)	—	—	—	2,068	2,068
Currency translation differences	—	—	(6,706)	—	(6,706)
As at December 31, 2021	<u>(495,767)</u>	<u>40,960</u>	<u>(7,134)</u>	<u>2,068</u>	<u>(459,873)</u>
(Unaudited)					
As at January 1, 2021	(495,813)	40,954	(428)	—	(455,287)
Currency translation differences	—	—	(1,839)	—	(1,839)
As at April 30, 2021	<u>(495,813)</u>	<u>40,954</u>	<u>(2,267)</u>	<u>—</u>	<u>(457,126)</u>
As at January 1, 2022	(495,767)	40,960	(7,134)	2,068	(459,873)
Reorganization—exchange redemption liabilities with convertible preferred shares (Note 32 & 33)	(1,869,521)	—	—	—	(1,869,521)
Reclassification of combined capital to share capital and other reserves upon the completion of Reorganization	110,000	—	—	—	110,000
Dividends settled to the ordinary shareholders of the Company (Note 13 & Note 34(b))	(202,053)	—	—	—	(202,053)
Dividends paid to the ordinary shareholders of the Company (Note 13)	(57,898)	—	—	—	(57,898)
Deemed distribution to the shareholders of the Company (Note 1.2(g)(i))	565	—	—	—	565
Equity settled share-based payments (Note 38)	—	—	—	29,119	29,119
Currency translation differences	—	—	(76,442)	—	(76,442)
As at April 30, 2022	<u>(2,514,674)</u>	<u>40,960</u>	<u>(83,576)</u>	<u>31,187</u>	<u>(2,526,103)</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26 Reserves—continued

(a) Appropriation for statutory surplus reserve

In accordance with the PRC Company Law and the articles of association, the PRC subsidiaries of the Group are required to appropriate 10% of its profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalized as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalization shall not be less than 25% of its capital.

27 Retained earnings

Movements in retained earnings were as follows:

	As at December 31,			As at April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	140,454	259,277	325,673	325,673	662,351
Profit for the year/period	119,023	291,370	336,684	110,406	80,301
Appropriation for statutory surplus reserve (Note 26(a))	(200)	(24,974)	(6)	—	—
Dividends paid to then shareholders of Yuehua Limited	—	(200,000)	—	—	—
At the end of the year/period	<u>259,277</u>	<u>325,673</u>	<u>662,351</u>	<u>436,079</u>	<u>742,652</u>

28 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
- Deferred income tax assets to be recovered after more than 12 months	2,331	3,447	2,637	2,310
- Deferred income tax assets to be recovered within 12 months . . .	1,338	2,987	3,183	3,745
Set-off of deferred income tax liabilities pursuant to set-off provision	(2,477)	(3,592)	(2,717)	(2,369)
Net deferred income tax assets	<u>1,192</u>	<u>2,842</u>	<u>3,103</u>	<u>3,686</u>
Deferred income tax liabilities:				
- Deferred income tax liability to be recovered after more than 12 months	495	611	380	384
- Deferred income tax liability to be recovered within 12 months	1,982	2,981	2,337	1,985
Set-off of deferred income tax assets pursuant to set-off provision	(2,477)	(3,592)	(2,717)	(2,369)
Net deferred income tax liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 Deferred income tax—continued

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at January 1, 2019	Credited/ (charged) to profit or loss	Currency translation differences	As at December 31, 2019
	RMB'000	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	679	216	(1)	894
- Lease liabilities	7,216	(4,881)	(4)	2,331
- Others	281	162	1	444
	<u>8,176</u>	<u>(4,503)</u>	<u>(4)</u>	<u>3,669</u>
Deferred income tax liabilities				
- Right-of-use assets	7,160	(4,680)	(3)	2,477
	<u>7,160</u>	<u>(4,680)</u>	<u>(3)</u>	<u>2,477</u>
	<u>8,176</u>	<u>(4,503)</u>	<u>(4)</u>	<u>3,669</u>
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	894	1,305	6	2,205
- Lease liabilities	2,331	1,115	1	3,447
- Others	444	337	1	782
	<u>3,669</u>	<u>2,757</u>	<u>8</u>	<u>6,434</u>
Deferred income tax liabilities				
- Right-of-use assets	2,477	1,114	1	3,592
	<u>2,477</u>	<u>1,114</u>	<u>1</u>	<u>3,592</u>
	<u>3,669</u>	<u>2,757</u>	<u>8</u>	<u>6,434</u>
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	2,205	502	(18)	2,689
- Lease liabilities	3,447	(756)	(54)	2,637
- Others	782	(220)	(68)	494
	<u>6,434</u>	<u>(474)</u>	<u>(140)</u>	<u>5,820</u>
Deferred income tax liabilities				
- Right-of-use assets	3,592	(818)	(57)	2,717
	<u>3,592</u>	<u>(818)</u>	<u>(57)</u>	<u>2,717</u>
	<u>6,434</u>	<u>(474)</u>	<u>(140)</u>	<u>5,820</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 Deferred income tax—continued

	As at January 1, 2021	Credited/ (charged) to profit or loss	Currency translation differences	As at April 30, 2021
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	2,205	10	(6)	2,209
- Lease liabilities	3,447	(121)	(11)	3,315
- Others	782	(76)	(18)	688
	<u>6,434</u>	<u>(187)</u>	<u>(35)</u>	<u>6,212</u>
Deferred income tax liabilities				
- Right-of-use assets	3,592	(372)	(12)	3,208
	<u>3,592</u>	<u>(372)</u>	<u>(12)</u>	<u>3,208</u>
	As at January 1, 2022	Credited/ (charged) to profit or loss	Credited to Reserves	As at April 30, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	2,689	654	(3)	3,340
- Lease liabilities	2,637	(307)	(20)	2,310
- Others	494	(75)	(14)	405
	<u>5,820</u>	<u>272</u>	<u>(37)</u>	<u>6,055</u>
Deferred income tax liabilities				
- Right-of-use assets	2,717	(327)	(21)	2,369
	<u>2,717</u>	<u>(327)</u>	<u>(21)</u>	<u>2,369</u>

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. The Group did not recognize deferred income tax assets in respect of tax losses amounting to approximately RMB111,305,000, RMB144,571,000, RMB151,154,000 and RMB6,762,000 as at December 31, 2019, 2020, 2021 and April 30, 2022 in certain Group's subsidiaries, which can be carried forward to offset against future taxable income, all of which will expire within 5 years.

The PRC subsidiaries of the Group have undistributed earnings of approximately RMB433,275,000, RMB519,918,000, RMB867,635,000 and RMB755,147,000 as at December 31, 2019, 2020, 2021 and April 30, 2022 respectively, which, if paid out as dividends, would be subject to tax in the hands of the recipient. Assessable temporary differences exist, but no deferred tax liabilities have been recognized as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29 Borrowings

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank borrowings	—	—	64,322	62,500
Non-current				
Bank borrowings	72,381	71,964	—	—
	<u>72,381</u>	<u>71,964</u>	<u>64,322</u>	<u>62,500</u>

As at December 31, 2019, 2020, 2021 and April 30, 2022 the Group's bank borrowings were denominated in KRW, and secured by certain property, plant and equipment amounting to RMB99,207,000, RMB98,234,000, RMB87,442,000 and RMB84,846,000, respectively, and investment properties amounting to RMB16,292,000, RMB15,993,000, RMB14,112,000 and RMB13,653,000, respectively, with floating interest rates of 3.21% to 3.23%, 2.11% to 3.21%, 2.14% to 2.76% and 2.76% to 2.99% per annum, respectively. These bank borrowings were repayable on September 30, 2022.

The repayment terms of the bank borrowings are as follows:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	—	—	64,322	62,500
1 to 2 years	—	71,964	—	—
2 to 5 years	72,381	—	—	—
	<u>72,381</u>	<u>71,964</u>	<u>64,322</u>	<u>62,500</u>

30 Trade payables

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	163,733	156,591	213,483	127,289
	<u>163,733</u>	<u>156,591</u>	<u>213,483</u>	<u>127,289</u>

Aging analysis of trade payables as at December 31, 2019, 2020, 2021 and April 30, 2022 is as follows:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Aging				
Up to 3 months	49,179	125,756	113,355	75,414
3 to 6 months	58,004	16,812	76,079	22,046
6 months to 1 year	33,829	2,002	13,545	20,313
Over 1 year	22,721	12,021	10,504	9,516
	<u>163,733</u>	<u>156,591</u>	<u>213,483</u>	<u>127,289</u>

The carrying amounts of the trade payables approximate their fair values due to their short-term maturities.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Other payables and accruals

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Accrual for payroll, employee benefit and other expenses	17,521	20,540	30,665	12,000
VAT and surcharges payable	13,110	16,596	9,619	5,187
Payables in respect of sharing in the receipts from movies and variety programs	18,816	16,949	19,780	8,703
Payables in respect of investments received for canceled licensing arrangement	8,925	—	—	—
Payables in respect of canceled events	7,547	7,547	—	—
Loans from a third party and related parties ^(a)	21,573	—	—	—
Payables in respect of investments in movies	33,204	33,204	33,204	—
Dividend payable ^(b)	1,875	—	—	—
Listing expenses payable and accrual	—	—	10,104	5,500
Others	3,903	6,060	5,960	1,485
	<u>126,474</u>	<u>100,896</u>	<u>109,332</u>	<u>32,875</u>

(a) Loans from a third party and related parties are unsecured, interest free, and repayable on demand or in one year. These loans were fully repaid in 2020.

(b) The balance represented dividends declared by Yuehua Limited to its then shareholders prior to the Track Record Period but not yet settled as at December 31, 2019. The balance was fully settled during the year ended December 31, 2020.

32 Redemption liabilities

Pursuant to a shareholders' agreement signed on November 16, 2020, certain shareholders of Yuehua Limited were granted preferential rights to require the Group to repurchase the shares of Yuehua Limited held by them in full or in part when certain conditions are met in future dates. The purchase prices were either a fixed amount, or determined by making reference to the fair value of the equity shares of Yuehua Limited in future periods, or calculated using simple interest basis.

The key terms of the preferential rights are summarized below:

- Liquidation preferences

In the event of any liquidation, dissolution or winding up of Yuehua Limited, either voluntarily or involuntarily, certain preferred shareholders shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of Yuehua Limited to the remaining shareholders. The liquidation preference amount for each preferred shareholders is calculated as follows:

The liquidation amount = the investment cost of respective preferred shareholders * (1 + 10%)^N + all declared but unpaid dividends on such respective preferred shares

N = The total days from the delivery date to the actual payment date of the settlement/365 days

After distributing or paying in full the liquidation preference amount to all of the preferred shareholders, the remaining assets of the Company available for distribution to members, if any, shall

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**32 Redemption liabilities—continued**

be distributed to the holders of ordinary shares and the preferred shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis.

A liquidation event means (i) any liquidation, dissolution or winding up, either voluntarily or involuntarily, of Yuehua Limited and (ii) any transaction involving (a) any sale, disposition, lease or conveyance by Yuehua Limited of all or substantially all of its assets (including the intangible assets that would cast significant influence on Yuehua Limited's operations); or (b) any merger or consolidation of Yuehua Limited with or into any other corporation or corporations or other entity or entities or any other corporate reorganization after which the holders of Yuehua Limited's voting shares prior to such transaction own or control less than a Majority (means more than 50% of votes of each class of shares or more than 50% of votes of the Directors) of the outstanding voting shares of the surviving corporation or other entity on account of shares held by them prior to the transaction; (c) the change of controlling shareholders of Yuehua Limited.

- Redemption rights

The preferred shareholders have the rights to require Yuehua Limited to redeem the shares when the following events happen:

(1) Yuehua Limited failed to complete qualified IPO on or prior to December 31, 2022, September 30, 2024 or October 31, 2024.

(2) The controlling shareholder of Yuehua Limited has material integrity issues.

(3) The controlling shareholder of Yuehua Limited has materially breached the shareholders' agreement signed on November 16, 2020.

(4) The controlling shareholder of Yuehua Limited has materially breached applicable laws.

(5) The controlling shareholder of Yuehua Limited hold less than 40% of shareholding of Yuehua Limited.

The respective redemption amounts of the three preferred shareholders are, respectively, (i) higher of RMB150,000,000 or fair value of the shares then held by the preferred shareholders (with the overall valuation of Yuehua Limited and its subsidiaries capped at RMB2,100,000,000); (ii) RMB149,700,000; (iii) investment cost * (1 + higher of Loan Prime Rate at actual payment date of the settlement and Loan Prime Rate at November 16, 2020) * N

N: The total days from the delivery date to the actual payment date of the redemption/365 days

As a result of the aforementioned additional rights, the Group redesignated the ordinary shares of Yuehua Limited held by these certain shareholders as redemption liabilities which were initially recognized at the present value of the estimated future cash outflows under the redemption arrangement.

Upon the initial recognition of redemption liabilities amounting to approximately RMB567,086,000, the Group recognized a debit of approximately RMB567,086,000 to equity.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Redemption liabilities—continued

The redemption liabilities were subsequently carried at amortized cost and accreted to the redemption amounts as indicated in the shareholders' agreement. The accretion charges were recognized as interest expenses under "Finance costs, net".

Movement of the redemption liabilities is as follows:

	As at December 31,		As at April 30,	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	—	570,995	570,995	611,476
Redesignation of ordinary shares to redemption liabilities as a result of additional redemption rights granted to certain existing shareholders	567,086	—	—	—
Interest expenses on redemption liabilities (Note 11)	3,909	40,481	13,112	3,406
Derecognition of redemption liabilities (Note 33)	—	—	—	(614,882)
At the end of the year/period	<u>570,995</u>	<u>611,476</u>	<u>584,107</u>	<u>—</u>

The statements of financial position show the following amounts relating to redemption liabilities:

	As at December 31,		As at April 30,	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Redemption liabilities				
—Current	—	123,274	117,756	—
—Non-current	<u>570,995</u>	<u>488,202</u>	<u>466,351</u>	<u>—</u>
	<u>570,995</u>	<u>611,476</u>	<u>584,107</u>	<u>—</u>

33 Financial liabilities at fair value through profit or loss

On January 28, 2022, as part of the Group's Reorganization as detailed in Note 1.2(f) to reflect the onshore shareholding structure, the Company entered into a preferred share subscription agreement with the offshore affiliates of CMC, Quantum Jump and Dongyang Alibaba Pictures pursuant to which 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, at an issuance price of US\$1.36, US\$2.65 and US\$3.59 per share, was subscribed by for a total consideration of US\$85,947,297 (equivalent to approximately RMB544,751,000), which approximated the consideration paid by the Group to these institutional shareholders to acquire the shares (with preferred rights as explained in Note 32) of Yuehua Limited as detailed in Note 1.2 (e)(i) and (ii) and settled the amounts due from these institutional shareholders as part of the Reorganization.

On the same day, the aforementioned Series A-1, A-2 and A-3 Preferred Shares were issued and recognized at their initial fair value of RMB2,484,403,000, while the redemption liabilities with then carrying amount of RMB 614,882,000 was derecognized, and the differences amounting to RMB1,869,521,000 was recognized in equity.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33 Financial liabilities at fair value through profit or loss—continued

The key terms of the convertible preferred shares mirror those preferential rights described in Note 32, including but not limited to liquidation preferences and redemption rights. The additional term is the conversion right of which the key terms are summarized as below:

- Conversion rights

Each Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such preferred shares into ordinary shares based on the applicable then-effective conversion price at an initial conversion ratio of 1:1 subject to: (i) adjustment for subdivision or consolidation of shares; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; (iv) adjustments for reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions; (v) adjustments for dilutive issuance (issuance of new securities below the conversion price).

Each Series A-1, A-2 and A-3 Preferred Share shall automatically be converted into Ordinary Share based on the applicable then-effective Series A-1, A-2 and A-3 conversion price for such Series A-1, A-2 and A-3 Preferred Share in effect at the time immediately upon the closing of the IPO.

The movements of the convertible preferred shares are set out as below:

	As at December 31,		As at April 30,	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	—	—	—	—
Issuance of Series A-1, A-2 and A-3 Preferred Shares	—	—	—	2,484,403
Fair value changes	—	—	—	6,843
Dividends paid to the holders of Series A-1, A-2 and A-3 Preferred Shares (Note 13)	—	—	—	(139,369)
Currency translation differences	—	—	—	89,430
At the end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,441,307</u>

The statements of financial position show the following amounts relating to convertible preferred shares:

	As at December 31,		As at April 30,	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Convertible preferred shares				
—Current	—	—	—	348,463
—Non-current	—	—	—	2,092,844
	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,441,307</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33 Financial liabilities at fair value through profit or loss—continued

The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the Series A-1, A-2, A-3 Preferred Shares. Key assumptions are set as below:

	As at April 30, 2022
	RMB'000
Discount rate	12.00%
Risk-free interest rate	2.79%
Discount for lack of marketability	6.45%
Expected volatility	44.55%

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A-1, A-2, A-3 Preferred Shares on each appraisal date.

Increasing/decreasing expected volatility by 5% would increase/decrease the fair value of Series A-1, A-2, A-3 Preferred Shares by approximately RMB364,000 and RMB277,000 respectively. Increasing/decreasing discount rate by 1% would decrease/increase the fair value by approximately RMB195,656,000 and RMB244,489,000 respectively.

34 Cash flow information

(a) Cash generated from operations

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	169,231	392,535	461,039	147,506	110,900
Adjustments for:					
- Share of losses of investments accounted for using the equity method	9,217	2,697	6,568	2,202	1,096
- Depreciation of property, plant and equipment	1,284	2,046	4,353	672	2,166
- Depreciation of investment properties	67	200	192	66	60
- Amortization of intangible assets	32,346	1,826	1,826	608	610
- Depreciation of right-of-use assets	6,664	6,480	7,251	2,947	1,833
- Net (gains)/losses on disposal of right-of-use assets	(2,843)	—	18	8	(4)
- Net losses/(gains) on disposal of property, plant and equipment	115	(171)	(41)	(42)	—
- Gain on liquidation of a subsidiary	—	—	(218)	(218)	—
- Gain on disposal of associates	—	—	(2,068)	(1,347)	—
- Gain on deemed disposal of an associate	—	—	(3,011)	—	—
- Fair value losses/(gains) on financial assets at fair value through profit or loss	42,760	17,717	12,765	(2,178)	(6,297)
- Interest income on bank deposits and loans to third parties and a related party	(1,222)	(3,693)	(5,215)	(663)	(1,214)
- Interest expenses on lease liabilities	1,382	420	415	143	138

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Cash flow information—continued

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
- Interest expenses on redemption liabilities . . .	—	3,909	40,481	13,112	3,406
- Interest expenses on bank borrowings	539	2,037	1,853	636	575
- Net impairment losses on financial assets	1,374	8,954	3,296	128	2,216
- Equity settled share-based payments	—	—	2,068	—	29,119
- Net exchange difference	—	—	—	—	(1,714)
- Fair value changes of convertible preferred shares	—	—	—	—	6,843
Operating cashflows before changes in working capital	260,914	434,957	531,572	163,580	149,733
Changes in working capital:					
- Inventories	121	988	(24)	2	2
- Trade receivables	(296)	(35,532)	(28,797)	7,808	(24,113)
- Deposits, prepayments and other receivables	704	(7,084)	(7,236)	(6,957)	822
- Contract liabilities	(11,300)	99,006	37,844	40,270	(75,369)
- Trade payables	39,712	(7,142)	56,892	(44,288)	(86,115)
- Other payables and accruals	17,852	(2,130)	8,279	(12,041)	(24,078)
Cash generated from/(used in) operations	<u>307,707</u>	<u>483,063</u>	<u>598,530</u>	<u>148,374</u>	<u>(59,118)</u>

(b) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions save as those disclosed in Note 34(c) during the Track Record Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Cash flow information—continued

(c) Reconciliation of liabilities generated from financing activities

	Lease liabilities	Bank borrowings	Loans from a third party and related parties	Dividend payable	Redemption liabilities	Convertible preferred shares
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	31,241	29,653	19,580	1,875	—	—
Interest expenses on lease liabilities	1,382	—	—	—	—	—
<u>Cash flows</u>						
Proceeds from borrowings	—	71,153	2,685	—	—	—
Repayment of borrowings	—	(29,697)	(881)	—	—	—
Payment for lease liabilities—principal and interest	(5,787)	—	—	—	—	—
<u>Other non-cash movements</u>						
Additions of lease liabilities	9,042	—	—	—	—	—
Disposal of lease liabilities	(25,830)	—	—	—	—	—
Currency translation difference	(95)	1,272	189	—	—	—
As at December 31, 2019	<u>9,953</u>	<u>72,381</u>	<u>21,573</u>	<u>1,875</u>	<u>—</u>	<u>—</u>
As at January 1, 2020	9,953	72,381	21,573	1,875	—	—
Interest expenses on lease liabilities	420	—	—	—	—	—
Interest expenses on redemption liabilities	—	—	—	—	3,909	—
Dividend declared	—	—	—	200,000	—	—
<u>Cash flows</u>						
Payment for lease liabilities—principal and interest	(10,618)	—	—	—	—	—
Dividend paid	—	—	—	(201,875)	—	—
Repayment of borrowings	—	—	(21,208)	—	—	—
<u>Other non-cash movements</u>						
Redesignation of ordinary shares to redemption liabilities as a result of additional redemption rights granted to certain existing shareholders	—	—	—	—	567,086	—
Additions of lease liabilities	11,147	—	—	—	—	—
Currency translation difference	(46)	(417)	(365)	—	—	—
As at December 31, 2020	<u>10,856</u>	<u>71,964</u>	<u>—</u>	<u>—</u>	<u>570,995</u>	<u>—</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Cash flow information—continued

	Lease liabilities	Bank borrowings	Loans from a third party and related parties	Dividend payable	Redemption liabilities	Convertible preferred shares
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021	10,856	71,964	—	—	570,995	—
Interest expenses on lease liabilities	415	—	—	—	—	—
Interest expenses on redemption liabilities	—	—	—	—	40,481	—
<u>Cash flows</u>						
Payment for lease liabilities—principal and interest	(4,279)	—	—	—	—	—
<u>Other non-cash movements</u>						
Additions of lease liabilities . . .	5,677	—	—	—	—	—
Disposal of lease liabilities	(2,050)	—	—	—	—	—
Currency translation difference	(410)	(7,642)	—	—	—	—
As at December 31, 2021	<u>10,209</u>	<u>64,322</u>	<u>—</u>	<u>—</u>	<u>611,476</u>	<u>—</u>
As at January 1, 2021	10,856	71,964	—	—	570,995	—
Interest expenses on lease liabilities	143	—	—	—	—	—
Interest expenses on redemption liabilities	—	—	—	—	13,112	—
<u>Cash flows</u>						
Payment for lease liabilities—principal and interest	(1,750)	—	—	—	—	—
<u>Other non-cash movements</u>						
Additions of lease liabilities . . .	1,414	—	—	—	—	—
Disposal of lease liabilities	(54)	—	—	—	—	—
Currency translation difference	(92)	(1,911)	—	—	—	—
As at April 30, 2021	<u>10,517</u>	<u>70,053</u>	<u>—</u>	<u>—</u>	<u>584,107</u>	<u>—</u>
As at January 1, 2022	10,209	64,322	—	—	611,476	—
Interest expenses on lease liabilities	138	—	—	—	—	—
Interest expenses on redemption liabilities	—	—	—	—	3,406	—
Dividend declared	—	—	—	399,320	—	—
<u>Cash flows</u>						
- Dividends paid	—	—	—	(197,267)	—	(139,369)
- Payment for lease liabilities—principal and interest	(812)	—	—	—	—	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Cash flow information—continued

	Lease liabilities	Bank borrowings	Loans from a third party and related parties	Dividend payable	Redemption liabilities	Convertible preferred shares
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Other non-cash movements</u>						
- Additions of lease liabilities	660	—	—	—	—	—
- Disposal of lease liabilities	(25)	—	—	—	—	—
- Off-setting of dividends payable (Note (i))	—	—	—	(202,053)	—	—
- Reorganization—derecognition of redemption liabilities (Note 32)	—	—	—	—	(614,882)	—
- Reorganization—issuance of convertible preferred shares (Note 33)	—	—	—	—	—	2,484,403
- Fair value changes of convertible preferred shares (Note 33)	—	—	—	—	—	6,843
- Currency translation difference	(108)	(1,822)	—	—	—	89,430
As at April 30, 2022	<u>10,062</u>	<u>62,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,441,307</u>

Note (i): During the four months ended April 30, 2022, dividend payable of RMB 202,053,000 to individual shareholders of the Company were settled through offsetting amounts due from these individual shareholders which were resulted from the consideration paid by the Group to them to acquire shares of Yuehua Limited as detailed in Note 1.2 (e)(i), pursuant to certain offsetting agreements among the Group and individual these shareholders.

(d) Cash flows from deemed distribution

Pursuant to the dismantlement of contractual arrangements in respect of Horgos Yuehua and the deemed distribution which were accounted for as an equity transaction (i.e. distribution to owners), as detailed in Note 1.2(g)(i), the assets and liabilities of Horgos Yuehua were derecognized, and the resulting credit of approximately RMB 565,000 to total equity and the net cash disposed of approximately RMB 15,298,000, being the cash and cash equivalent balances under Horgos Yuehua on the date of deemed distribution, are as follows:

	As at March 4, 2022 RMB'000
Carrying amount of assets/(liabilities) disposed on the date of deemed distribution	
Cash and cash equivalents	15,298
Financial assets at fair value through profit or loss	340
Deposits, prepayments and other receivables	1,426
Investment in an associate	37,236
Trade and other payables and accruals	(52,603)
Contract liabilities	(2,262)
Credit to total equity	<u>(565)</u>
Net cash disposed from deemed distribution	<u>15,298</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35 Commitments

(a) Capital commitments

The Group mainly has capital commitments with respect to property, plant and equipment, intangible assets and investments accounted for using the equity method. Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities were as follows:

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Music copyrights	1,950	—	—	—
Leasehold improvements	—	5,740	2,687	582
Investments accounted for using the equity method	—	—	10,000	—
	<u>1,950</u>	<u>5,740</u>	<u>12,687</u>	<u>582</u>

36 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The Controlling Shareholder is disclosed in Note 1.2.

Save as disclosed in Note 10, major related parties that had transactions with the Group during the Track Record Period were as follows:

Name of the related parties	Relationship with the Group				
	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at April 30, 2021	As at April 30, 2022
Ms. Du	Controlling Shareholder	Controlling Shareholder	Controlling Shareholder	Controlling Shareholder	Controlling Shareholder
Mr. SUN Yiding	Director of Yuehua Limited	Director of Yuehua Limited	Director of Yuehua Limited	Director of Yuehua Limited	Director of the Company and Yuehua Limited
Ms. SUN Yu Qing	Daughter of Mr. SUN Yiding	Daughter of Mr. SUN Yiding	Daughter of Mr. SUN Yiding	Daughter of Mr. SUN Yiding	Daughter of Mr. SUN Yiding
Mr. LEE Sang Kyu	Director of a subsidiary of the Group	Director of a subsidiary of the Group	Director of a subsidiary of the Group	Director of a subsidiary of the Group	Director of a subsidiary of the Group
Ms. YAO Lu	N/A	Director of Yuehua Limited to represent CMC	Director of Yuehua Limited to represent CMC	Director of Yuehua Limited to represent CMC	Director of the Company to represent CMC
Ms. Zhao Wenjie	N/A	N/A	Director of Yuehua Limited to represent Quantum Jump	Director of Yuehua Limited to represent Quantum Jump	Director of the Company to represent Quantum Jump

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Significant related party transactions—continued

Name of the related parties	Relationship with the Group				
	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at April 30, 2021	As at April 30, 2022
Mr. MENG Qingguang	N/A	Director of Yuehua Limited to represent Dongyang Alibaba Pictures	Director of Yuehua Limited to represent Dongyang Alibaba Pictures	Director of Yuehua Limited to represent Dongyang Alibaba Pictures	Director of the Company to represent Dongyang Alibaba Pictures
CMC and its subsidiaries (collectively "CMC Group")	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries	CMC as a shareholder of the Company with the right to nominate an individual to represent CMC as a director of the Company, and CMC's subsidiaries
Quantum Jump's fellow subsidiaries under the common control of the same ultimate shareholder (collectively "Quantum Jump's fellow subsidiaries")	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the common control of the same ultimate shareholder	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the common control of the same ultimate shareholder	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the common control of the same ultimate shareholder	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the common control of the same ultimate shareholder	Quantum Jump as a shareholder of the Company with the right to nominate an individual to represent Quantum Jump as a director of the Company, and fellow subsidiaries of Quantum Jump under the common control of the same ultimate shareholder

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Significant related party transactions—continued

Name of the related parties	Relationship with the Group				
	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at April 30, 2021	As at April 30, 2022
Alibaba Pictures Group Limited and its subsidiaries, and its fellow subsidiaries under the common control of the same ultimate shareholder (collectively “APG”)	N/A	Dongyang Alibaba Pictures as a shareholder of Yuehua Limited with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of Yuehua Limited, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder	Dongyang Alibaba Pictures as a shareholder of Yuehua Limited with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of Yuehua Limited, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder	Dongyang Alibaba Pictures as a shareholder of Yuehua Limited, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder	Dongyang Alibaba Pictures as a shareholder of the Company with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of the Company, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder
Nice Future (Beijing) Culture Communication Co., Ltd. (尼斯未來(北京)文化傳播有限公司) (“Nice Future”)	N/A	N/A	A company owned as to 10.0% by Tianjin Yihua, 30.0% by Mr. LIU Jiachao, an independent third party and 60.0% by Mr. DU Jiang, a family member of Ms. Du.	N/A	A company owned as to 10.0% by Tianjin Yihua, 30.0% by Mr. LIU Jiachao, an independent third party and 60.0% by Mr. DU Jiang, a family member of Ms. Du.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Significant related party transactions—continued

In the opinion of the Company's directors, the following related party transactions were carried out at terms negotiated and mutually agreed between the Group and the respective related parties:

(a) Transactions with related parties

	As at December 31,			As at April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<i>(i) Revenue:</i>					
APG	—	19,084	95,004	16,274	13,340
CMC Group	142	108	6,883	4,279	—
Quantum Jump's fellow subsidiaries	10,314	12,350	63,737	2,607	11,688
	<u>10,456</u>	<u>31,542</u>	<u>165,624</u>	<u>23,160</u>	<u>25,028</u>
<i>(ii) Cost of revenue:</i>					
APG	—	—	1,486	—	—
Quantum Jump's fellow subsidiaries	—	—	452	—	553
	<u>—</u>	<u>—</u>	<u>1,938</u>	<u>—</u>	<u>553</u>
<i>(iii) Finance income:</i>					
Nice Future	—	—	53	—	41
	<u>—</u>	<u>—</u>	<u>53</u>	<u>—</u>	<u>41</u>

(b) Balances with related parties

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Trade-nature</i>				
<i>(i) Trade receivables:</i>				
APG	—	9,622	565	6,085
CMC Group	—	54	57	—
Quantum Jump's fellow subsidiaries	—	1,717	15,770	26,068
	<u>—</u>	<u>11,393</u>	<u>16,392</u>	<u>32,153</u>
<i>(ii) Contract liabilities:</i>				
APG	—	5,689	4,463	176
Quantum Jump's fellow subsidiaries	623	14,151	—	637
	<u>623</u>	<u>19,840</u>	<u>4,463</u>	<u>813</u>
<i>(iii) Other payables:</i>				
APG	—	4,787	4,787	70
CMC Group	8,023	7,547	—	—
Quantum Jump's fellow subsidiaries	—	—	—	1,004
	<u>8,023</u>	<u>12,334</u>	<u>4,787</u>	<u>1,074</u>
<i>Non-trade nature</i>				
<i>(iv) Loan and interests receivables to a related party:</i>				
Nice Future	—	—	6,861	—
	<u>—</u>	<u>—</u>	<u>6,861</u>	<u>—</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Significant related party transactions—continued

	As at December 31,			As at April 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
<i>(v) Loans from related parties:</i>				
Ms. SUN Yu Qing	2,731	—	—	—
Mr. LEE Sang Kyu	4,192	—	—	—
	<u>6,923</u>	<u>—</u>	<u>—</u>	<u>—</u>
<i>(vi) Amounts due from shareholders:</i>				
Various shareholders (Note 1.2 (e))	<u>—</u>	<u>—</u>	<u>344,600</u>	<u>—</u>

As of December 31, 2021, loan to Nice Future was unsecured, interest-bearing at China's one-year loan prime rate per annum and repayable in one year.

As of December 31, 2019, loan from Ms. SUN Yu Qing was unsecured, interest-free and repayable in one year. The loan was fully repaid in 2020.

As of December 31, 2019, loans from Mr. LEE Sang Kyu were unsecured, interest-free and repayable on demand. The loans were fully repaid in 2020.

The amounts due from shareholders amounting to approximately RMB344,600,000 were subsequently settled in March 2022 as part of the Group's reorganization. For details, please refer to Note 1.2(e).

(c) Key management personnel compensation

	Year ended December 31,			Four months ended April 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	4,281	5,061	7,079	1,125	1,287
Pension costs – defined contribution plans	115	25	175	57	73
Other social security costs, housing benefits and other employee benefits	175	223	393	105	96
Equity settled share-based payments	<u>—</u>	<u>—</u>	<u>737</u>	<u>—</u>	<u>5,875</u>
	<u>4,571</u>	<u>5,309</u>	<u>8,384</u>	<u>1,287</u>	<u>7,331</u>

37 Notes to the statements of financial position of the Company

(a) Investment in subsidiaries

	As at December 31, 2021	As at April 30, 2022
	RMB'000	RMB'000
Investment in subsidiaries	—	7,342,391
Deemed investments arising from equity settled share-based payments (i)	<u>2,068</u>	<u>31,187</u>
	<u>2,068</u>	<u>7,373,578</u>

(i) The amount represents equity settled share-based payments arising from the grant of restricted share units ("RSUs") of the Company to eligible individuals of the subsidiaries (Note 38) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries pursuant to the accounting policies as set out in Note 2.20.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37 Notes to the statements of financial position of the Company—continued

(b) Other payables

As at December 31, 2021 and April 30, 2022, the carrying amounts of other payables approximated their fair values and were denominated in USD.

(c) Reserve movement of the Company

	Accumulated Losses	Exchange reserve	Share premium and other reserves	Share-based compensation reserve	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2020 and January 1, 2021	—	—	—	—	—
Equity settled share-based payments	—	—	—	2,068	2,068
Loss and comprehensive loss for the year	(35)	—	—	—	(35)
Balance at December 31, 2021	<u>(35)</u>	<u>—</u>	<u>—</u>	<u>2,068</u>	<u>2,033</u>
Balance at January 1, 2022	(35)	—	—	2,068	2,033
Equity settled share-based payments	—	—	—	29,119	29,119
Loss and comprehensive loss for the period ...	(10,580)	—	—	—	(10,580)
Reorganization—issuance of convertible preferred shares by the Company	—	—	(1,939,652)	—	(1,939,652)
Reorganization—recognition of the investment in subsidiaries	—	—	7,342,391	—	7,342,391
Reorganization—capital contribution from ordinary shareholders	—	—	202,053	—	202,053
Dividends to the shareholders of the Company	—	—	(259,951)	—	(259,951)
Currency translation differences	—	(75,460)	—	—	(75,460)
Balance at April 30, 2022	<u>(10,615)</u>	<u>(75,460)</u>	<u>5,344,841</u>	<u>31,187</u>	<u>5,289,953</u>

38 Equity settled share-based payments

2021 share incentive plan of the Company (the “2021 Share Incentive Plan”)

On December 10, 2021, the Company adopted the 2021 Share Incentive Plan, pursuant to which the maximum number of shares in respect of which awards may be granted shall not exceed 5,790,000 shares. On the same day, the board of directors of the Company passed a resolution, pursuant to which an aggregate of 1,542,500 ordinary shares were issued to ARK Trust (Hong Kong) Limited, a trustee for the administration of the 2021 Share Incentive Plan. Meanwhile, the Company granted 1,542,500 RSUs to eligible participants (the “Grantees”), representing ordinary shares of par value USD0.0001 each in the share capital of the Company.

On March 4, 2022, the board of directors of the Company passed a resolution, pursuant to which an aggregate of 4,247,500 ordinary shares of the Company were issued to LIGHTSTONE TRUST (HONG KONG) LIMITED, a trustee for the administration of the 2021 Share Incentive Plan. On the same day, 3,594,750 RSUs had been granted to the Grantees.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38 Equity settled share-based payments—continued

The aforementioned RSUs awarded on December 10, 2021 and March 4, 2022 are subject to a vesting scale in tranches from the grant date over certain period of employment with the Group or period of service to the Group, on the condition that employees remain employed and suppliers continue to provide services to the Group without any performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

Details of RSUs are as follows:

<u>Grant date</u>	<u>Number of RSUs</u>	<u>Vesting condition</u>
December 10, 2021	1,542,500	25% are to be vested 6 months from the Listing Date 25% are to be vested 18 months from the Listing Date 25% are to be vested 30 months from the Listing Date
March 4, 2022	3,594,750	25% are to be vested 42 months from the Listing Date 25% are to be vested 6 months from the Listing Date 25% are to be vested 18 months from the Listing Date 25% are to be vested 30 months from the Listing Date 25% are to be vested 42 months from the Listing Date

The exercise price is HKD0.1 per share and will be paid by the Grantees upon the vesting and settlement of each of the RSUs.

The share-based compensation expenses recognized during the Track Record Period were summarized in the following table:

	<u>Year ended December 31,</u>			<u>Four months ended</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Share-based compensation expenses for eligible individuals	—	—	2,068	—	29,119
	==	==	==	==	==

Expected retention rate

The Group has to estimate the expected percentage of Grantees that will stay within the Group at the end of the vesting periods (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at December 31, 2021 and April 30, 2022, the Expected Retention Rate was assessed to be close to 100%.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38 Equity settled share-based payments—continued

Movements in the number of RSUs granted and the respective weighted average grant date fair value per RSU are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU (RMB)
As at December 1, 2021	—	—
Granted on December 10, 2021	1,542,500	49.72
Vested during the year	—	—
Outstanding as at December 31, 2021	<u>1,542,500</u>	<u>49.72</u>
As at January 1, 2022	1,542,500	49.72
Granted on March 4, 2022	3,594,750	50.18
Vested during the period	—	—
Outstanding as at April 30, 2022	<u>5,137,250</u>	<u>50.04</u>

The Group applied the discounted cash flow method to determine the underlying equity value of the Company on the date of grant. The fair value of each RSU at the grant date is determined with reference to the fair value of the underlying ordinary shares on the date of grant. Key assumptions are set as below:

	As at December 10, 2021	As at March 4, 2022
	RMB'000	RMB'000
Discount rate	12.00%	12.00%
Discount for lack of control	25.10%	24.00%

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of RSUs on the date of grant.

39 Contingent Liabilities

The Group had no material contingent liabilities outstanding as at December 31, 2019, 2020, 2021 and April 30, 2022.

40 Subsequent events

Since May 2022, there have been regional outbreaks of Coronavirus Disease 2019 (“the COVID-19 pandemic”) in various parts of China due to the Delta and Omicron variants.

The Directors have adopted measures in response to the temporary impact from the COVID-19 pandemic on the Group's business and results of operations, including but not limited to maintaining close communications and negotiations with the customers to arrange alternative online performances, as well as proactively explore new opportunities to cooperate with corporate customers, media platforms, content producers and advertising agencies and make efforts to secure more contracts with customers.

Due to the uncertainties associated with the resurgence of these variants, the Group will continue to closely monitor the development of the COVID-19 pandemic, including but not

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**40 Subsequent events—continued**

limited to the extent to which governmental restrictions on travel, public gatherings, mobility and other activities remain in place or are augmented.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to April 30, 2022 and up to the date of this report.

No other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to April 30, 2022.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of April 30, 2022 as if the Global Offering had taken place on April 30, 2022.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the Global Offering been completed as at April 30, 2022 or at any future dates following the Global Offering.

	Audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at April 30, 2022 (Note 1) RMB'000	Estimated impact related to the conversion of convertible preferred shares upon Listing (Note 2) RMB'000	Estimated net proceeds from the Global Offering (Note 3) RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at April 30, 2022 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share (Note 4) (Note 6) RMB HKS	
Based on an Offer Price of HK\$6.80 per Share	(1,788,221)	2,441,307	705,955	1,359,041	1.61	1.87
Based on an Offer Price of HK\$8.50 per Share	(1,788,221)	2,441,307	892,011	1,545,097	1.83	2.13

Notes:

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at April 30, 2022 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the equity holders of the Company as at April 30, 2022 of approximately RMB1,783,405,000, with adjustment for intangible assets attributable to the equity holders of the Company as at April 30, 2022 of approximately RMB4,816,000.
- (2) Upon the Listing and the completion of the Global Offering, all the convertible preferred shares will be automatically converted into ordinary shares. These convertible preferred shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information the unaudited pro forma net tangible assets attributable to the owners of the Company will be increased by RMB2,441,307,000, being the carrying amounts of the convertible preferred shares as of April 30, 2022.
- (3) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$6.80 and HK\$8.50 per share, being the low and high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB24,492,000 which have been accounted for in the consolidated statements of comprehensive income of the Group prior to April 30, 2022) paid/payable by the Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital."
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 845,060,000 Shares were in issue, assuming that the Global Offering and Capitalization Issue have been completed on April 30, 2022 but takes no account of (i) the 37,500,000 Shares (after taking into account of the effect of the Capitalization Issue) issued pursuant to the Share Incentive Plan that are subject to vesting conditions; and (ii) any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital."
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to April 30, 2022. In particular, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company does not take into account

of any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors for issue or allotment of Shares as described in “Share Capital.”

- (6) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.1624. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (7) The property interests of the Group as at May 31, 2022 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer. By comparing the valuation of the Group’s property interests of approximately RMB129,600,000 as set out in Appendix III to this prospectus and the unaudited carrying amounts of these properties of approximately RMB96,207,000 as at May 31, 2022, the valuation surplus is approximately RMB33,393,000 as at May 31, 2022, which was not reflected in the net tangible liabilities of the Group as at April 30, 2022. The revaluation surplus will not be incorporated in our Group’s consolidated financial statements. If the revaluation surplus was recorded in our Group’s consolidated financial statements, the annual depreciation of the Group for the year ending December 31, 2022 would increase by approximately RMB835,000.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the Directors of YH Entertainment Group**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of YH Entertainment Group (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at April 30, 2022, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated August 24, 2022, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at April 30, 2022 as if the proposed initial public offering had taken place at April 30, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended April 30, 2022, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at April 30, 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public

Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 24, 2022

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at May 31, 2022 of the property interest held by the Group.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company License No.: C-030171

August 24, 2022

The Board of Directors
YH Entertainment Group
2/F, Century Yard, Cricket Square,
P.O. Box 902,
Grand Cayman, KY1-1103,
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the property interest held by YH Entertainment Group (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interest as at May 31, 2022 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited;

the RICS Valuation—Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have not been provided with copies of the title documents relating to the property interests but we have conducted title search for titles of the property and certificate for occupation of the property. Where possible, we have examined the original documents to verify the existing title to the property interest in the countries and any material encumbrance that might be attached to the property interest or any tenancy amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site/floor plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on February 16, 2022 by Mr. Kim Jeong Min. Mr. Kim is a Certified Public Appraiser in Korea and has 3 year's experience in the valuation of various properties in the Korea.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in South Korean Won (KRW). The exchange rate adopted in our valuation is approximately $KRW1=RMB0.0054$ which was approximately the prevailing exchange rate as at the valuation date.

We are instructed to provide our opinion of values as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on March 11, 2020 has caused much disruption to economic activities around the world. As of the report date, Korea's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in these particular market sectors remain stable. However, we remain cautious due to

uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of these properties under frequent review.

Our valuation is summarized below and the valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Senior Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 28 years' experience in the valuation of properties in Hong Kong, the PRC and the Asia-Pacific region.

SUMMARY OF VALUE

Property interest held by the Group in Korea

Property	Market value in existing state as at May 31, 2022 KRW	Interest attributable to the Group	Market value attributable to the Group as at May 31, 2022 KRW
403, Nohyeno ro, Gangnam-gu. Seoul, Korea	24,000,000,000	100%	24,000,000,000
Grand-total:	<u>24,000,000,000</u>		<u>24,000,000,000</u>

VALUATION CERTIFICATE

Property interest held by the Group in Korea

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at May 31, 2022 KRW
403, Nohyeno ro, Gangnam-gu. Seoul, Korea	<p>The property comprises two parcels of of land (lot address known as Yeoksam-dong 747-22 and 747-23) with a 10-story commercial building (including 2 basement levels) erected above. The building was completed in about 2019.</p> <p>The site area of the property is approximately 505 sq.m. and the total gross floor area of the building erected thereabove is approximately 1,876.22 sq.m.</p> <p>The property is located in the No. 3 General residential zoning area (rectangular shaped land lots with abutting road toward east). The property is located about 520m away from Yeoksam subway station line # 2 and near the former Yeoksam tax office intersection.</p> <p>The property is held under freehold interest.</p>	<p>As advised, the property of level 1 to level 8 are occupied by the Group whilst basement levels 1 and 2 are leased to two independent third parties with monthly rental of KRW4,750,000 and KRW2,500,000 respectively. The expiry date of the both tenancies are May 29, 2023.</p>	<p>24,000,000,000 (equivalent to RMB129,600,000)</p>

Notes:

- The registered owner of the Property is YUE HUA ENTERTAINMENT KOREA Co. Ltd vide Memorial No. 148873 dated September 30, 2019.
- The construction on the property was constructed and authorized for use dated May 30, 2019 according to the building ledger and registered for ownership vide Memorial No. 81438 dated June 5, 2019.
- We have identified and analyzed various relevant sales evidences of en bloc commercial buildings in the locality which have similar characteristics as the subject property such as nature, use, tenure and accessibility. The selected comparables are located in similar locality which were transacted between May 2021 and November 2021. The unit rate of these comparable ranges about KRW11,600,000 to KRW12,700,000 per sq.m. on gross floor area basis. Appropriate adjustments and analysis are considered to the differences in location, size, time and other characters between the comparable properties and the subject property to arrive at our assumed unit rate of about KRW12,790,000 per sq.m on gross floor area basis.
- Breakdown market value of the property: -

**Market value in existing state
as at May 31, 2022 (KRW)**

Group I - Property interest held by the Group for investment purpose

Basement levels 1 and 2, 403, Nohyeno ro, Gangnam-gu. Seoul, Korea 2,963,000,000

Group II - Property interest held by the Group for owner-occupied purpose

Levels 1 to 8, 403, Nohyeno ro, Gangnam-gu. Seoul, Korea 21,037,000,000

Total : 24,000,000,000

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on August 19, 2022 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix VI in the section headed “Documents on display”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on August 19, 2022 and include provisions to the following effect:

2.1 Directors*(a) Power to allot and issue Shares*

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other

securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all traveling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) *Retirement, appointment and removal*

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months

without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iv) the Director is found to be or becomes of unsound mind; or
- (v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorized representative at least one-third of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 *Alteration of capital*

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 *Special resolution – majority required*

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or,

where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 *Voting rights*

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorized representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committed, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which that person represents as that recognized clearing house (or its nominee(s)) could

exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 *Annual general meetings and extraordinary general meetings*

The Company shall hold a general meeting as its annual general meeting in each financial year. The annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 *Accounts and audit*

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorized by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days'

notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 *Power of the Company to purchase its own shares*

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorized by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 *Power of any subsidiary of the Company to own shares*

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 *Dividends and other methods of distribution*

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorize payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realized or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by check or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such check or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 *Proxies*

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorized in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorized representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 *Calls on shares and forfeiture of shares*

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by installments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or installment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 *Inspection of register of members*

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorized representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorized representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 *Rights of minorities in relation to fraud or oppression*

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 *Procedure on liquidation*

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be

distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 *Untraceable members*

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 10, 2021 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of

association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose

the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially

determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or

- (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on display" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on June 10, 2021. Our registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. For details of our Article of Association, see "Summary of the Constitution of the Company and Cayman Islands Company Law—2. Articles of Association" in Appendix IV to this prospectus.

Our registered place of business in Hong Kong is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 7, 2022 with the Registrar of Companies in Hong Kong. Mr. CHUNG Ming Fai has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

Our Company's head office is located at Room 150, Building 119, No. 27 West Dawang Road, Chaoyang District, Beijing, PRC.

2. Changes in the Share Capital

As of the date of incorporation of our Company, our authorized share capital was US\$50,000, divided into 500,000,000 Shares with a par value of US\$0.0001.

Save as disclosed herein and in "History, Reorganization and Corporate Structure," there has been no alteration in the share capital of our Company during the two years preceding the date of this prospectus.

For subsequent changes in our Company's share capital, see "—3. Resolutions of our Shareholders" below.

3. Resolutions of our Shareholders

Pursuant to the written resolutions passed unanimously by our Shareholders on August 19, 2022, it was resolved, among others:

- (a) the Memorandum and the Articles were approved and adopted and will come into effect upon Listing;
- (b) the authorized share capital of our Company be increased from US\$50,000 divided in 500,000,000 shares with a par value of US\$0.0001 each to US\$200,000 divided into 2,000,000,000 shares with a par value of US\$0.0001 each, by the creation of additional 1,500,000,000 Shares, each ranking *pari passu* in all respects with the Shares in issue as of the date of passing of these resolutions (the "**Increase of Authorized Share Capital**") so that following the Increase of Authorized Share Capital, the authorized share capital of the Company is US\$200,000 divided into (i) 1,961,510,865 Shares with a par value of US\$0.0001 each, (ii) 16,500,135 Series A-1 Preferred Shares with a par value of US\$0.0001 each, (iii) 5,489,000 Series A-2 Preferred Shares with a par value of

US\$0.0001 each, and (iv) 16,500,000 Series A-3 Preferred Shares with a par value of US\$0.0001 each;

- (c) conditional upon all the conditions set out in “Structure of the Global Offering— Conditions of the Global Offering” in this prospectus being fulfilled or waived, immediately following the Increase of the Authorized Share Capital and prior to the completion of the Global Offering, each of the authorized and issued Preferred Shares be and is hereby converted into Share of a par value of US\$0.0001 each on an one-to-one basis by redesignation and reclassification (the “**Reclassification and Redesignation**”), such that after the Reclassification and Redesignation, the authorized share capital of the Company shall become US\$200,000 divided into 2,000,000,000 Shares with a par value of US\$0.0001 each;
- (d) conditional upon all the conditions set out in “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus being fulfilled or waived:
- (i) the Global Offering was approved;
 - (ii) the Board (or any committee thereof established by the Board) was authorized to allot and issue the Offer Shares pursuant to the Global Offering;
 - (iii) the grant of the Over-allotment Option and the allotment and issue of such number of Shares pursuant to the exercise of the Over-allotment Option were approved;
 - (iv) the Board (or any committee thereof established by the Board) was authorized to agree to the price per Offer Share with the Joint Bookrunners;
 - (v) subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, and to make or grant offers or agreements or options which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the number of the Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;
 - (vi) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the number of the Shares in issue immediately following the completion of the Global Offering (but excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual

general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first; and

- (vii) the general mandate mentioned in paragraph (v) above be extended by the addition to the number of the Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (vi) above;
- (e) upon the re-designation and re-classification of the share capital of our Company referred to in paragraph (c) above and conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Company will, on the Listing Date allot and issue a total of 634,210,000 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at the close of business on the business day preceding the Listing Date in proportion to their then existing shareholdings in our Company by capitalizing the relevant sum standing to the credit of the share premium account of our Company. The Shares allotted and issued pursuant to the above capitalization issue will rank *pari passu* in all respects with the existing issued Shares.

4. Changes in the Capital of our Subsidiaries

Our subsidiaries during the Track Record Period are referred to in the Accountant's Report set out in Appendix I to this prospectus. The following alterations in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus.

Yuehua Korea

On February 12, 2020, the registered capital of Yuehua Korea increased from KRW 100,000,000 to KRW 2,600,000,000 and further increase to KRW 5,875,000,000 on August 31, 2020.

Save as disclosed above, there have been no alterations in the capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

5. Repurchases of our Own Securities

(a) Provisions of the Listing Rules

Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution of our Company passed at an extraordinary general meeting of our Company held on August 19, 2022, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following the completion of the Global Offering until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be canceled and destroyed.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 882,560,000 Shares in issue immediately following the completion of the Global Offering, could accordingly result in

88,256,000 Shares being repurchased by our Company during the period prior to the earliest occurrence of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of Hong Kong to be held; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting (the “**Relevant Period**”).

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong. Our Company have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contract (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that is or may be material:

- (a) the Hong Kong Underwriting Agreement.
- (b) the cornerstone investment agreement dated August 22, 2022 entered into among our Company, HARVEST INTERNATIONAL PREMIUM VALUE (SECONDARY MARKET) FUND SPC acting on behalf of HARVEST GREAT BAY INVESTMENT SP and CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED, pursuant to which HARVEST INTERNATIONAL PREMIUM VALUE (SECONDARY MARKET) FUND SPC acting on behalf of HARVEST GREAT BAY
















INVESTMENT SP agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$20.0 million;



















- (c) the cornerstone investment agreement dated August 22, 2022 entered into among our Company, BLUEFOCUS INTERNATIONAL LIMITED and CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED, pursuant to which BLUEFOCUS INTERNATIONAL LIMITED agreed to subscribe for Shares at the Offer Price in the aggregate amount of HK\$80.0 million; and
- (d) the cornerstone investment agreement dated August 22, 2022 entered into among our Company, MAOYAN ENTERTAINMENT (HK) LIMITED (貓眼娛樂(香港)有限公司) and CHINA MERCHANTS SECURITIES (HK) CO., LIMITED, pursuant to which MAOYAN ENTERTAINMENT (HK) LIMITED (貓眼娛樂(香港)有限公司) agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$5.0 million.














2. Intellectual Property Rights of our Group





















(a) Trademarks




















As of the Latest Practicable Date, our Group had registered the following trademarks in the PRC which we consider to be material to our Group's business:

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(1)		PRC	57008939	Yuehua Limited	35	2021.12.21	2031.12.20
(2)		PRC	54417202	Yuehua Limited	20	2021.10.14	2031.10.13
(3)		PRC	54413620	Yuehua Limited	35	2021.10.14	2031.10.13
(4)		PRC	54427973	Yuehua Limited	24	2021.10.14	2031.10.13
(5)		PRC	54430738	Yuehua Limited	41	2021.11.07	2031.11.06
(6)		PRC	54417176	Yuehua Limited	18	2021.12.21	2031.12.20
(7)		PRC	54439252	Yuehua Limited	14	2021.10.14	2031.10.13
(8)		PRC	54430590	Yuehua Limited	3	2021.12.28	2031.12.27
(9)		PRC	54423210	Yuehua Limited	32	2021.10.14	2031.10.13
(10)		PRC	54415778	Yuehua Limited	16	2021.10.28	2031.10.27
(11)		PRC	54420818	Yuehua Limited	9	2021.12.21	2031.12.20
(12)		PRC	54439321	Yuehua Limited	28	2021.10.14	2031.10.13
(13)		PRC	54436685	Yuehua Limited	29	2021.12.28	2031.12.27
(14)		PRC	54416464	Yuehua Limited	30	2021.10.14	2031.10.13
(15)		PRC	51946379	Yuehua Limited	20	2021.08.14	2031.08.13

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(16)		PRC	51952045	Yuehua Limited	3	2021.08.14	2031.08.13
(17)		PRC	51940567	Yuehua Limited	32	2021.08.14	2031.08.13
(18)		PRC	51940532	Yuehua Limited	25	2021.07.28	2031.07.27
(19)		PRC	51936549	Yuehua Limited	29	2021.08.14	2031.08.13
(20)		PRC	51948123	Yuehua Limited	24	2021.08.14	2031.08.13
(21)		PRC	51921820	Yuehua Limited	41	2021.07.28	2031.07.27
(22)		PRC	51936167	Yuehua Limited	18	2021.07.28	2031.07.27
(23)		PRC	51929741	Yuehua Limited	28	2021.08.21	2031.08.20
(24)		PRC	51924905	Yuehua Limited	14	2021.08.14	2031.08.13
(25)		PRC	51946305	Yuehua Limited	16	2021.08.14	2031.08.13
(26)		PRC	51952808	Yuehua Limited	30	2021.08.14	2031.08.13
(27)	 CHENG XIAO	PRC	51933922	Yuehua Limited	20	2021.12.21	2031.12.20
(28)	 CHENG XIAO	PRC	51921834	Yuehua Limited	41	2021.08.14	2031.08.13
(29)	 CHENG XIAO	PRC	51940576	Yuehua Limited	32	2021.09.07	2031.09.06
(30)	 CHENG XIAO	PRC	51947052	Yuehua Limited	14	2021.08.28	2031.08.27
(31)	 CHENG XIAO	PRC	51918943	Yuehua Limited	30	2021.08.21	2031.08.20
(32)	 CHENG XIAO	PRC	51946592	Yuehua Limited	28	2021.09.07	2031.09.06
(33)	 CHENG XIAO	PRC	51943519	Yuehua Limited	29	2021.09.14	2031.09.13
(34)	一波王炸	PRC	52101535	Yuehua Limited	15	2021.08.14	2031.08.13
(35)	一波王炸	PRC	50932455	Yuehua Limited	24	2021.08.28	2031.08.27
(36)	一波王炸	PRC	50932451	Yuehua Limited	30	2021.11.28	2031.11.27
(37)	一波王炸	PRC	50932461	Yuehua Limited	12	2021.08.28	2031.08.27
(38)	一波王炸	PRC	50932462	Yuehua Limited	9	2021.10.21	2031.10.20
(39)	一波王炸	PRC	50932457	Yuehua Limited	20	2021.08.07	2031.08.06
(40)	一波王炸	PRC	50932459	Yuehua Limited	16	2021.07.28	2031.07.27
(41)	一波王炸	PRC	50932449	Yuehua Limited	35	2021.10.07	2031.10.06
(42)	一波王炸	PRC	50932448	Yuehua Limited	41	2021.10.28	2031.10.27
(43)	一波王炸	PRC	50932450	Yuehua Limited	32	2021.08.21	2031.08.20
(44)	一波王炸	PRC	50932544	Yuehua Limited	3	2021.10.07	2031.10.06




















No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(45)	一波王炸	PRC	50932460	Yuehua Limited	14	2021.11.28	2031.11.27
(46)	一波王炸	PRC	50932453	Yuehua Limited	28	2021.10.07	2031.10.06
(47)	一波王炸	PRC	50932458	Yuehua Limited	18	2021.08.21	2031.08.20
(48)	一波王炸	PRC	50932456	Yuehua Limited	21	2021.08.21	2031.08.20
(49)	一波王炸	PRC	50932452	Yuehua Limited	29	2021.10.07	2031.10.06
(50)		PRC	50839965	Yuehua Limited	20	2021.07.21	2031.07.20
(51)		PRC	50818043	Yuehua Limited	28	2021.10.07	2031.10.06
(52)		PRC	50844142	Yuehua Limited	30	2021.10.07	2031.10.06
(53)		PRC	50817745	Yuehua Limited	14	2021.07.14	2031.07.13
(54)		PRC	50824084	Yuehua Limited	41	2021.09.14	2031.09.13
(55)		PRC	50817635	Yuehua Limited	9	2021.09.14	2031.09.13
(56)	DZR	PRC	49858618	Yuehua Limited	24	2021.05.07	2031.05.06
(57)	DZR	PRC	49863098	Yuehua Limited	32	2021.08.21	2031.08.20
(58)	DZR	PRC	49879271	Yuehua Limited	41	2021.06.21	2031.06.20
(59)	DZR	PRC	49861685	Yuehua Limited	20	2021.07.14	2031.07.13
(60)	DZR	PRC	49873647	Yuehua Limited	28	2021.06.28	2031.06.27
(61)	DZR	PRC	49881523	Yuehua Limited	14	2021.06.28	2031.06.27
(62)	DZR	PRC	49881542	Yuehua Limited	16	2021.10.07	2031.10.06
(63)	DZR	PRC	49883286	Yuehua Limited	30	2021.09.07	2031.09.06
(64)		PRC	49486727	Yuehua Limited	25	2021.05.28	2031.05.27
(65)		PRC	49481216	Yuehua Limited	3	2021.05.28	2031.05.27
(66)		PRC	49481273	Yuehua Limited	14	2021.06.07	2031.06.06
(67)		PRC	49506974	Yuehua Limited	24	2021.06.07	2031.06.06
(68)		PRC	49508845	Yuehua Limited	35	2021.05.28	2031.05.27
(69)		PRC	49510093	Yuehua Limited	9	2021.06.07	2031.06.06
(70)		PRC	49506941	Yuehua Limited	20	2021.06.14	2031.06.13

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(71)		PRC	49481382	Yuehua Limited	29	2021.06.07	2031.06.06
(72)		PRC	49504654	Yuehua Limited	41	2021.05.28	2031.05.27
(73)		PRC	49502163	Yuehua Limited	18	2021.06.07	2031.06.06
(74)		PRC	49492667	Yuehua Limited	30	2021.06.07	2031.06.06
(75)		PRC	49496768	Yuehua Limited	16	2021.06.07	2031.06.06
(76)		PRC	49490304	Yuehua Limited	28	2021.05.28	2031.05.27
(77)		PRC	49512591	Yuehua Limited	32	2021.06.07	2031.06.06
(78)		PRC	49510071	Yuehua Limited	3	2021.05.28	2031.05.27
(79)		PRC	49481251	Yuehua Limited	9	2021.05.28	2031.05.27
(80)		PRC	49498472	Yuehua Limited	30	2021.05.28	2031.05.27
(81)		PRC	49498687	Yuehua Limited	35	2021.06.14	2031.06.13
(82)		PRC	49502534	Yuehua Limited	24	2021.05.28	2031.05.27
(83)		PRC	49502141	Yuehua Limited	16	2021.06.07	2031.06.06
(84)		PRC	49507702	Yuehua Limited	28	2021.06.07	2031.06.06
(85)		PRC	49513903	Yuehua Limited	14	2021.06.07	2031.06.06
(86)		PRC	49498714	Yuehua Limited	41	2021.05.28	2031.05.27
(87)		PRC	49503747	Yuehua Limited	32	2021.06.07	2031.06.06
(88)		PRC	49506948	Yuehua Limited	20	2021.06.07	2031.06.06
(89)		PRC	49507069	Yuehua Limited	29	2021.06.07	2031.06.06
(90)		PRC	49488398	Yuehua Limited	18	2021.06.07	2031.06.06

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(91)		PRC	49507020	Yuehua Limited	25	2021.06.07	2031.06.06
(92)		PRC	49512443	Yuehua Limited	20	2021.06.07	2031.06.06
(93)		PRC	49507719	Yuehua Limited	29	2021.05.28	2031.05.27
(94)		PRC	49513844	Yuehua Limited	3	2021.05.28	2031.05.27
(95)		PRC	49492615	Yuehua Limited	16	2021.05.28	2031.05.27
(96)		PRC	49505430	Yuehua Limited	18	2021.06.07	2031.06.06
(97)		PRC	49508876	Yuehua Limited	41	2021.05.28	2031.05.27
(98)		PRC	49481276	Yuehua Limited	14	2021.06.07	2031.06.06
(99)		PRC	49508848	Yuehua Limited	35	2021.06.07	2031.06.06
(100)		PRC	49506929	Yuehua Limited	9	2021.06.07	2031.06.06
(101)		PRC	49498431	Yuehua Limited	28	2021.06.07	2031.06.06
(102)		PRC	49508057	Yuehua Limited	32	2021.06.07	2031.06.06
(103)		PRC	49491911	Yuehua Limited	24	2021.06.14	2031.06.13
(104)		PRC	49502560	Yuehua Limited	25	2021.06.07	2031.06.06
(105)		PRC	49498470	Yuehua Limited	30	2021.06.07	2031.06.06
(106)		PRC	47733477	Yuehua Limited	9	2021.02.14	2031.02.13
(107)		PRC	47724021	Yuehua Limited	30	2021.02.21	2031.02.20
(108)		PRC	47723885	Yuehua Limited	24	2021.02.14	2031.02.13
(109)		PRC	47723373	Yuehua Limited	21	2021.02.14	2031.02.13










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No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(110)		PRC	47723297	Yuehua Limited	12	2021.02.14	2031.02.13
(111)		PRC	47722111	Yuehua Limited	41	2021.02.14	2031.02.13
(112)		PRC	47719122	Yuehua Limited	3	2021.02.14	2031.02.13
(113)		PRC	47718835	Yuehua Limited	18	2021.02.14	2031.02.13
(114)		PRC	47714188	Yuehua Limited	28	2021.02.21	2031.02.20
(115)		PRC	47714134	Yuehua Limited	20	2021.02.14	2031.02.13
(116)		PRC	47713552	Yuehua Limited	14	2021.02.14	2031.02.13
(117)		PRC	47708813	Yuehua Limited	16	2021.02.14	2031.02.13
(118)		PRC	47705011	Yuehua Limited	35	2021.02.14	2031.02.13
(119)		PRC	47703716	Yuehua Limited	7	2021.02.14	2031.02.13
(120)		PRC	47703269	Yuehua Limited	32	2021.02.14	2031.02.13
(121)		PRC	47703249	Yuehua Limited	29	2021.02.14	2031.02.13
(122)		PRC	47703225	Yuehua Limited	25	2021.02.14	2031.02.13
(123)		PRC	36352783	Yuehua Limited	3	2020.01.07	2030.01.06
(124)		PRC	36351359	Yuehua Limited	14	2019.10.21	2029.10.20
(125)		PRC	36349945	Yuehua Limited	18	2019.10.21	2029.10.20
(126)		PRC	36349938	Yuehua Limited	41	2019.10.21	2029.10.20
(127)		PRC	36349805	Yuehua Limited	45	2019.10.21	2029.10.20
(128)		PRC	36349676	Yuehua Limited	25	2020.06.21	2030.06.20

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No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(129)		PRC	36348108	Yuehua Limited	28	2020.02.28	2030.02.27
(130)		PRC	36348027	Yuehua Limited	9	2021.01.14	2031.01.13
(131)		PRC	36346854	Yuehua Limited	38	2019.10.21	2029.10.20
(132)		PRC	36346760	Yuehua Limited	16	2019.10.21	2029.10.20
(133)		PRC	36354470	Yuehua Limited	36	2019.10.21	2029.10.20
(134)	EVERGLOW	PRC	36354436	Yuehua Limited	28	2020.02.28	2030.02.27
(135)	EVERGLOW	PRC	36354373	Yuehua Limited	14	2019.10.21	2029.10.20
(136)	EVERGLOW	PRC	36352845	Yuehua Limited	25	2020.06.21	2030.06.20
(137)	EVERGLOW	PRC	36356800	Yuehua Limited	41	2019.10.21	2029.10.20
(138)	EVERGLOW	PRC	36352784	Yuehua Limited	3	2020.01.28	2030.01.27
(139)	EVERGLOW	PRC	36351757	Yuehua Limited	38	2019.11.14	2029.11.13
(140)	EVERGLOW	PRC	36351752	Yuehua Limited	36	2019.10.21	2029.10.20
(141)	EVERGLOW	PRC	36349669	Yuehua Limited	18	2019.11.14	2029.11.13
(142)	EVERGLOW	PRC	36346874	Yuehua Limited	45	2019.10.21	2029.10.20
(143)	EVERGLOW	PRC	36346735	Yuehua Limited	9	2019.10.21	2029.10.20
(144)	EVERGLOW	PRC	36345276	Yuehua Limited	16	2019.10.21	2029.10.20
(145)		PRC	34739862	Yuehua Limited	25	2019.08.07	2029.08.06
(146)		PRC	34735196	Yuehua Limited	14	2019.08.07	2029.08.06
(147)		PRC	34730868	Yuehua Limited	20	2019.08.07	2029.08.06
(148)		PRC	34729386	Yuehua Limited	16	2019.08.07	2029.08.06

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(149)		PRC	34724518	Yuehua Limited	18	2019.08.07	2029.08.06
(150)		PRC	34722550	Yuehua Limited	28	2019.08.07	2029.08.06
(151)		PRC	34722501	Yuehua Limited	3	2019.08.07	2029.08.06
(152)		PRC	34718800	Yuehua Limited	24	2019.08.07	2029.08.06
(153)		PRC	34712379	Yuehua Limited	9	2019.08.07	2029.08.06
(154)		PRC	34739913	Yuehua Limited	35	2019.08.07	2029.08.06
(155)		PRC	34739800	Yuehua Limited	24	2019.08.07	2029.08.06
(156)		PRC	34719160	Yuehua Limited	25	2019.08.07	2029.08.06
(157)		PRC	34739778	Yuehua Limited	20	2019.08.07	2029.08.06
(158)		PRC	34739743	Yuehua Limited	18	2019.08.07	2029.08.06
(159)		PRC	34735364	Yuehua Limited	35	2019.08.07	2029.08.06
(160)		PRC	34735199	Yuehua Limited	14	2019.08.07	2029.08.06
(161)		PRC	34734796	Yuehua Limited	3	2019.08.07	2029.08.06
(162)		PRC	34726703	Yuehua Limited	16	2019.08.07	2029.08.06
(163)		PRC	34726301	Yuehua Limited	9	2019.08.07	2029.08.06
(164)		PRC	34739881	Yuehua Limited	28	2019.08.07	2029.08.06
(165)		PRC	34739795	Yuehua Limited	24	2019.08.07	2029.08.06
(166)		PRC	34725358	Yuehua Limited	28	2019.08.07	2029.08.06
(167)		PRC	34720998	Yuehua Limited	18	2019.08.07	2029.08.06
(168)		PRC	34729331	Yuehua Limited	14	2019.08.07	2029.08.06





















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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registration No.</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Date</u>	<u>Expiry Date</u>
(169)		PRC	34719530	Yuehua Limited	16	2019.08.07	2029.08.06
(170)		PRC	34719186	Yuehua Limited	35	2019.08.07	2029.08.06
(171)		PRC	34718766	Yuehua Limited	20	2019.08.07	2029.08.06
(172)		PRC	34718731	Yuehua Limited	9	2019.08.07	2029.08.06
(173)		PRC	34717089	Yuehua Limited	3	2019.08.07	2029.08.06
(174)		PRC	34739815	Yuehua Limited	25	2019.08.07	2029.08.06
(175)		PRC	34734860	Yuehua Limited	9	2019.08.07	2029.08.06
(176)		PRC	34732143	Yuehua Limited	18	2019.08.07	2029.08.06
(177)		PRC	34725643	Yuehua Limited	3	2019.08.07	2029.08.06
(178)		PRC	34725376	Yuehua Limited	35	2019.08.07	2029.08.06
(179)		PRC	34730675	Yuehua Limited	28	2019.08.07	2029.08.06
(180)		PRC	34725324	Yuehua Limited	25	2019.08.07	2029.08.06
(181)		PRC	34723775	Yuehua Limited	16	2019.08.07	2029.08.06
(182)		PRC	34722130	Yuehua Limited	20	2019.08.07	2029.08.06
(183)		PRC	34721328	Yuehua Limited	14	2019.08.07	2029.08.06
(184)		PRC	34739798	Yuehua Limited	24	2019.08.07	2029.08.06
(185)		PRC	34733777	Yuehua Limited	24	2019.08.07	2029.08.06
(186)		PRC	34726908	Yuehua Limited	3	2019.08.07	2029.08.06
(187)		PRC	34725322	Yuehua Limited	25	2019.08.07	2029.08.06
(188)		PRC	34721326	Yuehua Limited	14	2019.08.07	2029.08.06

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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registration No.</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Date</u>	<u>Expiry Date</u>
(189)		PRC	34724548	Yuehua Limited	20	2019.08.14	2029.08.13
(190)		PRC	34722875	Yuehua Limited	9	2019.08.07	2029.08.06
(191)		PRC	34715600	Yuehua Limited	18	2019.08.07	2029.08.06
(192)		PRC	34722546	Yuehua Limited	28	2019.08.07	2029.08.06
(193)		PRC	34739586	Yuehua Limited	16	2019.08.07	2029.08.06
(194)		PRC	34735362	Yuehua Limited	35	2019.08.07	2029.08.06
(195)		PRC	34718772	Yuehua Limited	20	2019.08.07	2029.08.06
(196)		PRC	34734863	Yuehua Limited	9	2019.08.07	2029.08.06
(197)		PRC	34730830	Yuehua Limited	18	2019.08.07	2029.08.06
(198)		PRC	34729339	Yuehua Limited	14	2019.08.07	2029.08.06
(199)		PRC	34727035	Yuehua Limited	24	2019.08.07	2029.08.06
(200)		PRC	34722498	Yuehua Limited	3	2019.08.07	2029.08.06
(201)		PRC	34722202	Yuehua Limited	25	2019.08.07	2029.08.06
(202)		PRC	34714947	Yuehua Limited	16	2019.08.07	2029.08.06
(203)		PRC	34735330	Yuehua Limited	28	2019.08.07	2029.08.06
(204)		PRC	34735325	Yuehua Limited	28	2019.08.07	2029.08.06
(205)		PRC	34718792	Yuehua Limited	24	2019.08.07	2029.08.06
(206)		PRC	34733747	Yuehua Limited	20	2019.08.07	2029.08.06
(207)		PRC	34732486	Yuehua Limited	16	2019.08.07	2029.08.06
(208)		PRC	34714173	Yuehua Limited	18	2019.08.07	2029.08.06










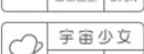







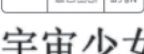
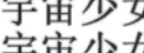
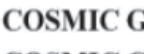
No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(209)		PRC	34717170	Yuehua Limited	35	2019.08.07	2029.08.06
(210)		PRC	34729279	Yuehua Limited	9	2019.08.07	2029.08.06
(211)		PRC	34726333	Yuehua Limited	14	2019.08.07	2029.08.06
(212)		PRC	34722478	Yuehua Limited	3	2019.08.07	2029.08.06
(213)		PRC	34722173	Yuehua Limited	25	2019.08.07	2029.08.06
(214)	乐华七子	PRC	31793524	Yuehua Limited	3	2019.03.21	2029.03.20
(215)	乐华七子	PRC	31793523	Yuehua Limited	9	2019.03.21	2029.03.20
(216)	乐华七子	PRC	31793522	Yuehua Limited	14	2019.04.07	2029.04.06
(217)	乐华七子	PRC	31793521	Yuehua Limited	16	2019.03.21	2029.03.20
(218)	乐华七子	PRC	31793520	Yuehua Limited	18	2019.03.21	2029.03.20
(219)	乐华七子	PRC	31793519	Yuehua Limited	20	2019.03.21	2029.03.20
(220)	乐华七子	PRC	31793518	Yuehua Limited	21	2019.03.21	2029.03.20
(221)	乐华七子	PRC	31793517	Yuehua Limited	24	2019.03.21	2029.03.20
(222)	乐华七子	PRC	31793516	Yuehua Limited	25	2019.03.21	2029.03.20
(223)	乐华七子	PRC	31793515	Yuehua Limited	28	2019.03.21	2029.03.20
(224)	乐华七子	PRC	31793514	Yuehua Limited	35	2019.03.21	2029.03.20
(225)	乐华七子	PRC	31793513	Yuehua Limited	41	2019.03.21	2029.03.20
(226)		PRC	31129066	Yuehua Limited	3	2019.04.21	2029.04.20
(227)		PRC	31129065	Yuehua Limited	9	2019.04.21	2029.04.20
(228)		PRC	31129064	Yuehua Limited	14	2019.04.21	2029.04.20

<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registration No.</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Date</u>	<u>Expiry Date</u>
(229)		PRC	31129063	Yuehua Limited	16	2019.04.21	2029.04.20
(230)		PRC	31129062	Yuehua Limited	18	2019.04.21	2029.04.20
(231)		PRC	31129061	Yuehua Limited	20	2019.04.21	2029.04.20
(232)		PRC	31129060	Yuehua Limited	21	2019.04.21	2029.04.20
(233)		PRC	31129058	Yuehua Limited	25	2020.07.14	2030.07.13
(234)		PRC	31129057	Yuehua Limited	28	2019.04.21	2029.04.20
(235)		PRC	36221228	Yuehua Limited	24	2019.09.21	2029.09.20
(236)		PRC	37446262	Yuehua Limited	25	2020.06.07	2030.06.06
(237)		PRC	31129055	Yuehua Limited	41	2019.04.21	2029.04.20
(238)		PRC	31129056	Yuehua Limited	35	2019.04.21	2029.04.20
(239)		PRC	41371597	Yuehua Limited	3	2020.10.07	2030.10.06
(240)		PRC	41261419	Yuehua Limited	9	2021.01.28	2031.01.27
(241)		PRC	37435272	Yuehua Limited	20	2020.07.07	2030.07.06
(242)		PRC	41248127	Yuehua Limited	35	2021.04.28	2031.04.27
(243)		PRC	31129053	Yuehua Limited	20	2020.06.28	2030.06.27
(244)		PRC	31129052	Yuehua Limited	21	2020.06.28	2030.06.27
(245)		PRC	31129050	Yuehua Limited	28	2019.08.28	2029.08.27
(246)		PRC	31129049	Yuehua Limited	35	2020.06.14	2030.06.13
(247)		PRC	29302135	Yuehua Limited	9	2019.03.21	2029.03.20
(248)		PRC	29301930	Yuehua Limited	41	2019.03.21	2029.03.20



















No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(249)		PRC	29301559	Yuehua Limited	16	2019.12.28	2029.12.27
(250)		PRC	29299849	Yuehua Limited	35	2020.03.14	2030.03.13
(251)		PRC	29298313	Yuehua Limited	14	2019.09.28	2029.09.27
(252)		PRC	29298307	Yuehua Limited	3	2020.03.14	2030.03.13
(253)		PRC	29296709	Yuehua Limited	28	2020.03.14	2030.03.13
(254)		PRC	29296706	Yuehua Limited	25	2020.07.28	2030.07.27
(255)	 乐华少年	PRC	26424105	Yuehua Limited	28	2018.09.21	2028.09.20
(256)	 乐华少年	PRC	26421860	Yuehua Limited	14	2018.09.21	2028.09.20
(257)	 乐华少年	PRC	26418674	Yuehua Limited	9	2018.09.21	2028.09.20
(258)	 乐华少年	PRC	26418647	Yuehua Limited	3	2018.09.21	2028.09.20
(259)	 乐华少年	PRC	26412291	Yuehua Limited	18	2019.04.14	2029.04.13
(260)	 乐华少年	PRC	26411049	Yuehua Limited	16	2019.09.07	2029.09.06
(261)	 乐华少年	PRC	26404744	Yuehua Limited	25	2018.09.21	2028.09.20
(262)	 乐华少年	PRC	36268369	Yuehua Limited	16	2020.11.14	2030.11.13
(263)	 乐华少年	PRC	45518147	Yuehua Limited	16	2020.12.07	2030.12.06
(264)	 乐华少年	PRC	36254988	Yuehua Limited	35	2020.07.07	2030.07.06
(265)	 乐华少年	PRC	26404272	Yuehua Limited	41	2019.11.07	2029.11.06
(266)	 YHBOYS	PRC	22745890	Yuehua Limited	28	2018.02.21	2028.02.20
(267)	 YHBOYS	PRC	22745877	Yuehua Limited	41	2018.02.21	2028.02.20
(268)	 YHBOYS	PRC	22745849	Yuehua Limited	35	2018.09.21	2028.09.20

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No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(269)		PRC	22745809	Yuehua Limited	25	2018.10.14	2028.10.13
(270)		PRC	22745807	Yuehua Limited	16	2018.02.21	2028.02.20
(271)		PRC	22745777	Yuehua Limited	9	2018.02.21	2028.02.20
(272)		PRC	22745742	Yuehua Limited	18	2018.02.21	2028.02.20
(273)		PRC	22745668	Yuehua Limited	14	2018.02.21	2028.02.20
(274)		PRC	22745605	Yuehua Limited	3	2018.02.21	2028.02.20
(275)		PRC	20006658	Yuehua Limited	28	2017.10.14	2027.10.13
(276)		PRC	20006331	Yuehua Limited	18	2017.10.14	2027.10.13
(277)		PRC	20006189	Yuehua Limited	25	2018.07.21	2028.07.20
(278)		PRC	20006056	Yuehua Limited	16	2017.07.07	2027.07.06
(279)		PRC	20005938	Yuehua Limited	14	2017.10.14	2027.10.13
(280)		PRC	20005890	Yuehua Limited	9	2017.09.21	2027.09.20
(281)		PRC	20005616	Yuehua Limited	3	2017.07.07	2027.07.06
(282)		PRC	20001425	Yuehua Limited	25	2018.07.21	2028.07.20
(283)		PRC	20001371	Yuehua Limited	18	2017.10.14	2027.10.13
(284)		PRC	20001274	Yuehua Limited	28	2017.10.14	2027.10.13
(285)		PRC	20001157	Yuehua Limited	16	2017.07.07	2027.07.06
(286)		PRC	20001139	Yuehua Limited	14	2017.10.14	2027.10.13
(287)		PRC	20001074	Yuehua Limited	9	2017.09.21	2027.09.20
(288)		PRC	20001007	Yuehua Limited	3	2017.07.07	2027.07.06
(289)	宇宙少女	PRC	20000929	Yuehua Limited	41	2017.09.21	2027.09.20
(290)	宇宙少女	PRC	20000811	Yuehua Limited	16	2017.07.07	2027.07.06
(291)	宇宙少女	PRC	20000727	Yuehua Limited	9	2017.10.14	2027.10.13
(292)	COSMIC GIRLS	PRC	20004027	Yuehua Limited	9	2017.07.07	2027.07.06
(293)	COSMIC GIRLS	PRC	20003864	Yuehua Limited	16	2017.07.07	2027.07.06
(294)	COSMIC GIRLS	PRC	20003599	Yuehua Limited	41	2017.07.07	2027.07.06

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(295)		PRC	37174906	Yuehua Limited	16	2020.03.21	2030.03.20
(296)		PRC	19616040	Yuehua Limited	40	2017.08.28	2027.08.27
(297)		PRC	19615914	Yuehua Limited	36	2017.08.28	2027.08.27
(298)		PRC	19615538	Yuehua Limited	45	2017.08.28	2027.08.27
(299)		PRC	19615371	Yuehua Limited	41	2018.11.21	2028.11.20
(300)		PRC	19614877	Yuehua Limited	16	2019.10.28	2029.10.27
(301)		PRC	17451877	Yuehua Limited	25	2017.03.21	2027.03.20
(302)		PRC	13205501	Yuehua Limited	35	2016.02.07	2026.02.06
(303)		PRC	13205444	Yuehua Limited	26	2016.03.28	2026.03.27
(304)		PRC	13205399	Yuehua Limited	18	2015.03.07	2025.03.06
(305)		PRC	13204645	Yuehua Limited	42	2016.09.07	2026.09.06
(306)		PRC	13204481	Yuehua Limited	38	2016.01.14	2026.01.13
(307)		PRC	13204449	Yuehua Limited	36	2016.03.28	2026.03.27
(308)		PRC	13204413	Yuehua Limited	41	2016.05.21	2026.05.20
(309)		PRC	13204325	Yuehua Limited	28	2016.03.21	2026.03.20
(310)		PRC	13204230	Yuehua Limited	25	2016.02.14	2026.02.13
(311)		PRC	13204138	Yuehua Limited	16	2017.11.14	2027.11.13
(312)		PRC	13204039	Yuehua Limited	14	2015.01.21	2025.01.20
(313)		PRC	13203943	Yuehua Limited	3	2015.01.21	2025.01.20
(314)		PRC	15338276	Yuehua Limited	41	2017.03.21	2027.03.20

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(315)	 乐华娱乐 YUE HUA ENTERTAINMENT	PRC	35999506	Yuehua Limited	28	2020.12.21	2030.12.20
(316)	梦想合伙人	PRC	19313269	Yuehua Limited	16	2017.04.21	2027.04.20
(317)	梦想合伙人	PRC	18952938	Yuehua Limited	9	2017.02.28	2027.02.27
(318)		PRC	15338244	Yuehua Limited	41	2016.06.07	2026.06.06
(319)		PRC	13675371	Yuehua Limited	17	2015.06.14	2025.06.13
(320)		PRC	13675352	Yuehua Limited	17	2016.03.14	2026.03.13
(321)		PRC	13675295	Yuehua Limited	9	2016.04.28	2026.04.27
(322)		PRC	11177404	Yuehua Limited	41	2014.02.28	2024.02.27
(323)		PRC	11177368	Yuehua Limited	35	2013.11.28	2023.11.27
(324)		PRC	11177279	Yuehua Limited	28	2013.11.28	2023.11.27
(325)		PRC	11177255	Yuehua Limited	24	2013.11.28	2023.11.27
(326)		PRC	11177219	Yuehua Limited	16	2013.11.28	2023.11.27
(327)		PRC	11177173	Yuehua Limited	9	2015.04.14	2025.04.13
(328)		PRC	8403382	Yuehua Limited	25	2012.08.14	2032.08.13
(329)		PRC	8403331	Yuehua Limited	18	2012.08.14	2032.08.13
(330)		PRC	8403300	Yuehua Limited	14	2013.01.14	2023.01.13
(331)		PRC	11177093	Yuehua Limited	3	2015.07.21	2025.07.20
(332)	 HG 韩庚	PRC	10923942	Yuehua Limited	41	2013.09.21	2023.09.20
(333)	 HG 韩庚	PRC	10923876	Yuehua Limited	35	2013.11.21	2023.11.20
(334)	 HG 韩庚	PRC	10923797	Yuehua Limited	28	2015.04.07	2025.04.06

APPENDIX V

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Registration Date	Expiry Date
(335)		PRC	10923599	Yuehua Limited	18	2013.08.21	2023.08.20
(336)		PRC	10923446	Yuehua Limited	16	2013.09.07	2023.09.06
(337)		PRC	10923367	Yuehua Limited	14	2013.10.07	2023.10.06
(338)		PRC	10923221	Yuehua Limited	9	2013.08.21	2023.08.20
(339)		PRC	10923127	Yuehua Limited	3	2013.10.07	2023.10.06
(340)		PRC	18952706	Tianjin Chufa	41	2017.11.07	2027.11.06
(341)		PRC	18952450	Tianjin Chufa	35	2017.10.21	2027.10.20
(342)		PRC	18952393	Tianjin Chufa	9	2017.10.21	2027.10.20
(343)		PRC	15409353	Tianjin Chufa	41	2016.01.21	2026.01.20

As at the Latest Practicable Date, our Group had registered the following trademarks outside PRC which we consider to be material to our Group's business:

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Registration Date	Expiry Date
(1)		Hong Kong	305899501	Yuehua Limited	2022.03.08	2032.03.07
(2)		Hong Kong	305899510	Yuehua Limited	2022.03.08	2032.03.07
(3)		Hong Kong	305632182	Yuehua Limited	2021.05.21	2031.05.20
(4)	 	Korea	40-1567636	Yuehua Korea	2020.1.23	2030.1.23
(5)		Korea	40-1573652	Yuehua Korea	2020.2.11	2030.2.11
(6)		Korea	40-1534721	Yuehua Korea	2019.10.22	2029.10.22
(7)	 EVERGLOW	Korea	40-1549434	Yuehua Korea	2019.12.2	2029.12.2

<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registration No.</u>	<u>Registered Owner</u>	<u>Registration Date</u>	<u>Expiry Date</u>
(8)	EVERGLOW	Korea	40-1573650	Yuehua Korea	2020.2.11	2030.2.11
(9)	EVERGLOW	Korea	40-1534720	Yuehua Korea	2019.10.22	2029.10.22
(10)	에버글로우	Korea	40-1549433	Yuehua Korea	2019.12.2	2029.12.2
(11)	에버글로우	Korea	40-1573645	Yuehua Korea	2020.2.11	2030.2.11
(12)	에버글로우	Korea	40-1534718	Yuehua Korea	2019.10.22	2029.10.22

(b) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be material to our Group's business:

<u>Domain name</u>	<u>Registered owner</u>	<u>Expiry date</u>
yuehuamusic.com	Yuehua Limited	2025. 7. 24

(c) Copyrights

As of the Latest Practicable Date, our Group had registered the following copyrights which we consider to be material to our Group's business:

<u>No.</u>	<u>Name of Copyright</u>	<u>Registration Number</u>	<u>Registered Owner</u>	<u>Registration Date</u>
(1)	NAME Group Logo (NAME組合logo)	國作登字-2022-F-10062171	Yuehua Limited	2022.03.24
(2)	Zhu Zhengting Artist Work Series (朱正廷個人logo(系列))	國作登字-2022-F-10062172	Yuehua Limited	2022.03.24
(3)	Wu Xuanyi Official Cartoon Image (吳宣儀官方卡通形象)	國作登字-2021-F-00139603	Yuehua Limited	2021.06.23
(4)	Personal Logos of Some Group Members of NEXT (樂華NEXT組合部分成員個人logo)	國作登字-2021-F-00125327	Yuehua Limited	2021.06.07
(5)	TRACER 85	國作登字-2021-F-00123752	Yuehua Limited	2021.06.04
(6)	Cheng Xiao Personal Logo (程瀟個人LOGO)	國作登字-2021-F-00078150	Yuehua Limited	2021.04.07
(7)	Li Wenhan Personal Logo (李文翰個人LOGO)	國作登字-2021-F-00073956	Yuehua Limited	2021.03.30
(8)	Blue Haired Girl (藍髮少女)	國作登字-2021-F-00066750	Yuehua Limited	2021.03.22
(9)	NEXT Group Member Official Cartoon Image (NEXT 組合成員官方卡通形象)	國作登字-2021-F-00029533	Yuehua Limited	2021.02.07
(10)	Panther Rider Prone Posture (黑豹摩托騎手趴姿)	國作登字-2020-F-01061648	Yuehua Limited	2020.07.01
(11)	Panther Rider Stand Posture (黑豹摩托騎手站姿)	國作登字-2020-F-01039222	Yuehua Limited	2020.06.12
(12)	EVERGLOW	國作登字-2019-F-00707651	Yuehua Limited	2019.03.28
(13)	NEXT English Name Heart Icon (樂華七子NEXT組合成員英文名集合桃心ICON)	國作登字-2019-F-00707918	Yuehua Limited	2019.03.22

<u>No.</u>	<u>Name of Copyright</u>	<u>Registration Number</u>	<u>Registered Owner</u>	<u>Registration Date</u>
(14)	NEXT Fruit Icon (樂華七子水果ICON)	國作登字-2019-F-00722371	Yuehua Limited	2019.02.11
(15)	Dice Logo (骰子logo)	國作登字-2018-F-00584228	Yuehua Limited	2018.07.20
(16)	NEXT Graphic Design (Series) (NEXT圖形設計 (系列))	國作登字-2018-F-00584227	Yuehua Limited	2018.07.20
(17)	NEXT Graphic Design (NEXT圖形設計)	國作登字-2018-F-00548267	Yuehua Limited	2018.05.17
(18)	YHboys Image (樂華少年及圖)	國作登字-2017-F-00401839	Yuehua Limited	2017.11.09
(19)	WJSN Logo (宇宙少女logo)	國作登字-2017-F-00476722	Yuehua Limited	2017.06.27
(20)	YHboys Graphic Design (YHboys圖形設計)	國作登字-2017-F-00383673	Yuehua Limited	2017.05.25
(21)	UNIQ Image (UNIQ及圖)	國作登字-2015-F-00178278	Yuehua Limited	2015.02.27
(22)	Rabbit Wearing Headset Image (兔子戴耳麥圖形)	國作登字-2015-F-00178276	Tianjin Chufa	2015.02.27
(23)	Z masked Cartoon Boys (Z蒙面卡通男孩)	國作登字-2022-F-10122410	Yuehua Limited	2022.06.17
(24)	Snake Crown Black Robe Cartoon (蛇冠黑袍卡通)	國作登字-2022-F-10122639	Yuehua Limited	2022.06.17

Save as disclosed above, as of the Latest Practicable Date, there were no other trademarks, domains, copyrights, intellectual property rights, or individual property rights which are or may be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering (without taking into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option), the interests and/or short positions (as applicable) of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) once the Shares are listed, will be as follows:

(i) *Interest in the Shares*

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number of Shares held upon completion of the Capitalization Issue and Global Offering</u>	<u>Approximate percentage of interest in our Company</u>
Ms. Du	Interest in controlled corporation ⁽¹⁾	376,350,000	42.64%
	Interest of spouse ⁽²⁾	24,825,000	2.81%
Mr. Sun	Interest in controlled corporation ⁽³⁾	24,825,000	2.81%
	Interest of spouse ⁽²⁾	376,350,000	42.64%
Mr. SUN Le (孫樂)	Beneficial interest	3,225,000 ⁽⁴⁾	0.37%

Notes:

- (1) Upon completion of the Capitalization Issue and the Global Offering, DING GUOHUA LIMITED will directly hold 376,350,000 Shares. DING GUOHUA LIMITED is owned as to 80% by HuaDingGuo Limited (an entity wholly owned by Ms. Du), and 20% by Xihaha International Holding Limited (an entity controlled by Ms. Du through a trust), respectively. Therefore, Ms. Du is deemed to be interested in the Shares directly held by DING GUOHUA LIMITED by virtue of the SFO.
- (2) Ms. Du and Mr. Sun are cohabiting as spouse. Accordingly, for the purpose of the SFO, Ms. Du is deemed, or taken to be, interested in the Shares in which Mr. Sun is interested; and Mr. Sun is deemed, or taken to be, interested in the Shares in which Ms. Du is interested.
- (3) Upon completion of the Capitalization Issue and the Global Offering, QINGDINGDANG LIMITED will directly hold 24,825,000 Shares. QINGDINGDANG LIMITED is owned as to 99% by Dawei International Holding Limited (an entity controlled by Mr. Sun through a trust) and 1% by DingDangQing Limited (an entity wholly owned by Mr. Sun). Therefore, Mr. Sun is deemed to be interested in the Shares directly held by QINGDINGDANG LIMITED by virtue of the SFO.
- (4) Mr. SUN Le is interested in the 3,225,000 underlying Shares (taking into account the Capitalization Issue) relating to the RSUs granted to him pursuant to the Share Incentive Plan.

(b) *Interests and short positions of the Substantial Shareholders in the Shares and underlying shares of our Company*

Save as disclosed in “Substantial Shareholders,” our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

2. Particulars of Service Contracts and Appointment Letters

(a) *Executive Directors*

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by the executive Director or as otherwise set out in the service contract.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) *Non-executive Director and Independent Non-executive Directors*

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with our Company for a term of one year with effect from the Listing Date which may be terminated by not less than three months' notice in writing served by either our Company, or the non-executive or independent non-executive Director. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) *Others*

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) During the year ended December 31, 2021, the aggregate of the remuneration paid and benefits in kind granted to the Directors was approximately RMB4.4 million. Details of the Directors' remuneration are also set out in Note 10 of the Accountant's Report set out in Appendix I to this prospectus. No other emoluments have been paid or are payable in respect of the year ended December 31, 2021 by our Company to the Directors.
- (iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2022 is estimated to be approximately RMB5.3 million.
- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either

to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

None of the Directors or any of the persons whose names are listed under the section headed “E. Other Information—11. Consent of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Miscellaneous

- (a) None of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed on the Stock Exchange;
- (b) None of our Directors nor any of the parties listed in the section headed “E. Other Information—11. Consent of Experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) None of our Directors nor any of the parties listed in the section headed “E. Other Information—11. Consent of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) Other than pursuant to the Underwriting Agreements, none of the parties listed in the section headed “E. Other Information—11. Consent of Experts” below:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (e) None of our Directors or their respective close associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our number of issued shares) has any interest in our five largest suppliers or our five large customers.

D. SHARE INCENTIVE PLAN

The following is a summary of the principal terms of the Share Incentive Plan. The Share Incentive Plan was adopted and approved by resolutions in writing by the Board on December 10, 2021. The terms of the Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

1. Summary of terms

Purpose

The purpose of the Share Incentive Plan is to enable our Group to grant awards to selected participants as incentives or rewards for their contribution to our Group, in particular, (i) to motivate them to optimize their performance and efficiency for the benefit of our Group; (ii) to attract and retain them whose contributions are or will be beneficial to our Group; and (iii) to encourage them to enhance cooperation and communication amongst team members for the growth of our Group.

Types of Awards

The Share Incentive Plan provides for awards of RSUs, Shares issued subject to forfeiture or repurchase by our Company until vested (“**Restricted Shares**”), and other share-based awards or rights (collectively, the “**Awards**”).

Who may join

The Board, in the context of the Share Incentive Plan, including any committee or person(s) duly authorized by the Board, may at its discretion, invite any person belonging to any of the following classes of eligible participants (“**Eligible Participants**”), to take up an Award to subscribe for Shares:

- (i) any full-time executives, officers, managers or employees of our Company or any of our subsidiaries or controlled affiliates, or any entities designated by them, who had attained the requisite seniority and performance grade and/or targets as may be determined by the chief executive officer of our Company from time to time;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of our subsidiaries or controlled affiliates, or any entities designated by them;
- (iii) any advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, strategic partner, service provider or other third parties who the Chief Executive Officer considers, in its sole discretion, has contributed or will contribute to the Group.

Maximum Number of Shares

Unless otherwise duly approved by the Board, the total number of Shares underlying the Share Incentive Plan shall not exceed 5,790,000 Shares.

Performance Target

The participant may be required to achieve any performance targets as the Board may specify before the relevant Awards can be vested, exercised or settled upon the grant of an Award to an Eligible Participant.

Consideration for RSU and Restricted Share Purchase Price

The price to be paid upon the vesting and settlement of RSUs, and the purchase price of Restricted Shares shall, subject to any adjustments made pursuant to the Share Incentive Plan, be such amount in such form as may be determined by the Board from time to time and set out in the offer for the grant of an Award.

Conditions of Issuance of Shares

The Eligible Participant who accepts the offer for the grant of an Award (the “**Grantee**”) must not have committed any breach of the Share Incentive Plan and any ancillary documents that he or she has entered into with our Company in respect of the Award.

The Grantee must not have violated any provision of the articles of association or constitutional documents of the relevant member of our Group, or otherwise impaired the interests of our Group.

The Board may, at its absolute discretion, fix any other performance targets that must be achieved and any other conditions that must be fulfilled before any Award can be vested or settled.

If the conditions set out above in this clause are not satisfied, the RSUs and/or Restricted Shares shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

Vesting Schedule

Subject to the terms of the Share Incentive Plan, the RSUs shall be vested and settled, and the Restricted Shares shall be vested and no longer subject to forfeiture, as set out in the offer for the grant of an Award.

If a change of control shall occur, such Grantee’s RSUs shall be vested and settled, and Restricted Shares shall be vested and no longer subject to forfeiture (as applicable).

Vesting of Awards

(i) Settlement of RSUs

Subject to the terms of the applicable Award, RSUs will be settled upon vesting by delivery to the Grantee of the number of Shares that equals the number of RSUs that then become vested. If RSUs are settled, one or more of the Directors of our Company will, on behalf of our Company, cause and direct the share registrar of our Company to update our Company’s register of members with the name of the Grantee entered therein as the record holder of the Shares.

(ii) Release of Restricted Share

Subject to the terms of the applicable Award, Restricted Shares shall be released from escrow. After the Restricted Shares are released, the Shares shall be freely transferable by the Grantee, subject to applicable restrictions in the Award and any legal restrictions.

Non-transferability of the Awards

Save and except for the provisions in the paragraph below and except under the applicable laws or as otherwise provided by the Share Incentive Plan, the Awards shall be personal to the Grantee and

the Grantee shall not sell, transfer, pledge or assign the Awards and the Share Incentive Plan or any interest or benefits therein.

The Grantee shall be permitted to transfer the Awards to his or her wholly owned entity or any trust arrangement whereby the Grantee is the sole beneficiary. The terms of the Share Incentive Plan shall be binding upon the personal representatives, executors, administrators, heirs, successors and assignees of the Grantee. Unless transferred pursuant to the foregoing, the Awards shall be exercisable, during the Grantee's lifetime, only by the Grantee.

Without limiting the generality of the foregoing, except as otherwise provided by the Share Incentive Plan, the Awards may not be assigned, transferred, pledged or hypothecated in any way, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Awards contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Awards shall be null and void and without effect and such breach by a Grantee shall entitle our Company to cancel any outstanding Awards granted to such Grantee.

Lock-up Period

In connection with any underwritten public offering by our Company of its equity securities, the Grantee shall not, for a period of 180 days following the date of completion of the applicable offering, directly or indirectly, sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under the Share Incentive Plan without the prior written consent of our Company or our underwriters.

Termination

Our Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Incentive Plan and in such event no further Award shall be offered but the provisions of the Share Incentive Plan shall remain in force to the extent necessary to give effect to any outstanding Awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Incentive Plan. Outstanding Awards granted prior to such termination but not yet exercised, settled or released at the time of termination shall continue to be valid and exercisable or releasable in accordance with the Share Incentive Plan.

2. Reorganization of Capital Structure

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or similar change affecting the Shares including any alteration in the capital structure of our Company, such as capitalization issue, rights issue, consolidation, sub-division and reduction of the share capital of our Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

- (i) make arrangements for the grant of substitute award of equivalent fair value to an award in the purchasing or surviving company;
- (ii) reach such agreement or compromise with the Grantee as it considers appropriate, including the payment of cash compensation to the Grantee for the equivalent fair value of the Award to the extent not vested;

- (iii) waive any conditions to the vesting of any Award to the extent not already vested; or
- (iv) permit the continuation of an Award in accordance with its original terms.

3. Outstanding Grants

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, among which six are Directors, senior management or other connected persons of our Company. In respect of outstanding RSUs granted to the connected persons and senior management of our Company through ARK Trust, Mr. Sun Le (孫樂), our executive Director, was granted 500,000 outstanding RSUs; Mr. ZHANG Wensheng (張文勝), our Chief Financial Officer and a member of our senior management, was granted 50,000 outstanding RSUs; and Ms. ZHANG Wei (張偉), an employee of the company who is a relative of Ms. Du, was granted 30,000 outstanding RSUs. In respect of the RSUs granted to the connected persons of our Company through Lightstone Trust, Mr. LEE Sang Kyu, Mr. JUNG Hae Chang and Ms. HONG Jeong In, each being a director of Yuehua Korea, our subsidiary, were granted 300,000, 300,000 and 100,000 outstanding RSUs, respectively.

Save as disclosed in this section, no Director or connected person of the Company had been identified to be the grantees under the Share Incentive Plan as of the Latest Practicable Date.

All the Shares underlying the Share Incentive Plan have been allotted and issued and are held by ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED, being special purpose vehicles established as nominees to hold in trust. The Shares underlying the Share Incentive Plan do not count towards the public float. Pursuant to the Share Incentive Plan and the trust deeds constituting the ARK Trust and Lightstone Trust (the “**Trust Deeds**”), the Share Incentive Plan and the two trusts will be subject to the administration of the chief executive officer of the Company (the “**Administrator**”) and the Administrator shall have the sole and absolute discretion to determine whether or not a grantee shall have rights to any dividends from any Shares prior to the vesting of the RSUs. In addition, pursuant to the Share Incentive Plan and the Trust Deeds, the RSUs upon release will not carry any voting rights until completion of the registration of the grantee (or any other person) as the holder and the respective trustee shall not exercise any of the voting rights attached to Shares held upon trust unless directed by authorized representative appointed by the Administrator.

The Company will comply with the applicable requirements under the Listing Rules (including Chapter 14A of the Listing Rules) for any grant of share awards to connected persons of the Company and related subsequent dealings.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, we were not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued or sold as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares into CCASS.

4. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since April 30, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the section headed “Underwriting—Underwriting Arrangements and Expenses—Commissions and Expenses.”

6. The Joint Sponsors and Joint Sponsors’ fees

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fees payable by our Company to each of the Joint Sponsors to act as sponsor to our Company in connection with the Global Offering are US\$514,800 or in aggregate US\$1,029,600.

7. Preliminary expenses

We have not incurred any material preliminary expenses.

8. Promoter

The Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

9. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of shares registered with our Hong Kong register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, of the value of the shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares in our Company as long as we do not hold any interest in land in the Cayman Islands.

(c) People’s Republic of China

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See “Risk Factors—Risks Relating to Doing Business in the PRC—Under the PRC enterprise income tax law, we may be deemed a PRC ‘resident enterprise,’ which could result in unfavorable tax consequences to us and our Shareholders and have a material and adverse effect on our results of operations and the value of your investment.”

(d) Consultation with professional advisors

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

10. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
China Securities (International) Corporate Finance Company Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under SFO)
China Merchants Securities (HK) Co., Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined under SFO)
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Cap. 588)
Commerce & Finance Law Offices Maples and Calder (Hong Kong) LLP	Company’s PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Company’s Cayman Islands attorneys-at-law
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent industry consultant
	Independent Property Valuer

11. Consent of Experts

Each of the experts mentioned in the sub-section headed “Qualification of Experts” above has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

12. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

13. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

F. MISCELLANEOUS

- (a) Within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.
- (c) Our Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of our Group since April 30, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by our Principal Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar.

- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of **GREEN** Application Form;
- (b) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—10. Qualification of Experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about our Business—1. Summary of Material Contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at <http://www.yuehuamusic.com> during a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountant’s Report of our Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendix I to this prospectus;
- (c) the report issued by PricewaterhouseCoopers in relation to the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2019, 2020 and 2021 and the four months ended April 30, 2022;
- (e) the PRC legal opinions issued by our PRC Legal Advisor on PRC law, in respect of certain general corporate matters of our Group and the property interests of our Group;
- (f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., from which information in the section headed “Industry Overview” of this prospectus is extracted;
- (h) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—11. Consent of Experts” in Appendix V to this prospectus;
- (i) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about our Business—1. Summary of Material Contracts” in Appendix V to this prospectus;
- (j) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Service Contracts and Appointment Letters” in Appendix V to this prospectus;
- (k) the terms of the Share Incentive Plan;

- (l) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this prospectus; and
- (m) the Cayman Companies Act.



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