
RISK FACTORS

IMPORTANT NOTICE TO INVESTORS

Prospective investors should consider carefully all the information presented in this document and, in particular, should consider the following risks and specific considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. In the event that any of the possible scenarios described in this section occurs, our business, financial conditions, results of operations and prospects could be materially and adversely affected. Additional risks and uncertainties not currently known to us, or not expressed or implied below, or that we now consider immaterial may also harm us and affect our investment value. The trading prices of our Shares could decline considerably at any moment due to the occurrence of any of such risks uncertainties, and prospective investors may lose part or all of their investments.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the [REDACTED]; and (v) risks relating to statements in this document.

RISKS RELATING TO OUR BUSINESS

We are dependent on digital streaming platforms for online distribution and marketing of our music works, the pricing structure of which is determined by the digital streaming platforms and the royalties may not be correctly calculated under the license agreements.

The music copyright licensing and recording is our main business and we derive a significant portion of our revenue from the licensing of music works. For FY2020, FY2021 and FY2022, revenue derived from this segment amounted to approximately RMB68.8 million, RMB73.7 million and RMB90.6 million, representing approximately 97.5%, 90.1% and 95.5% of our total revenue, respectively. We are currently dependent on a few digital streaming platforms where we have entered conditional music copyright licensing agreements with them. For further details on the salient terms of the music copyright licensing agreements with our customers, please refer to the section headed “Business — Our Business Model and Operations — (1) Music copyright licensing and recording” in this document. There is no assurance that we will be able to renew or enter into new music copyright licensing agreements with the existing digital streaming platforms, or new ones, and we may have limited ability to increase our royalties to with digital streaming platforms as they control much of the online music distribution, as well as with the change in anti-trust control restricting any exclusive agreements during the Track Record Period which may lead to a more competitive market in PRC. If all these platforms were to adopt a lower pricing model to their customers, or if there were any structural changes to the pricing models, or the material terms of the contracts with the major digital streaming platforms are amended, cancelled or invalid due to various factors such as the scale and quality of our music library, changes of our bargaining power in the music entertainment industry, changes in the laws or regulations or for other reasons we cannot control, this may lead to a decrease in royalty or changes to other terms of these license agreements which may materially impact our business, operating results and financial condition.

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We rely on the digital streaming platforms for the online distribution and marketing of our music works. Digital streaming platforms generally accept and make available majority of the music works that we deliver to them. However, if they decide to limit the types or amount of music content that they will accept from music recording companies like us, our revenue could be significantly reduced. Further, digital streaming platforms have their own music production business and are capable of producing their own music works with their own music creators. In the event that the digital streaming platforms produce their own music works and promote their own music works instead of our music works which would affect the performance and popularity of our Group’s music works and might cause our Group to fail to meet certain KPI. Similarly, a significant proportion of the music streamed on the digital streaming platforms are from certain playlists curated by those services or generated from algorithms devised by the content providers. If these services fail to include our music works into the playlists, prioritise our music works on the playlists or give us less marketing space, it could affect the popularity of our music work and the KPI generated therefrom and thus adversely affect our business, operating results and financial condition.

Under our music copyright licensing agreements, we receive royalties from the digital streaming platforms for the offering and streaming of our music works. The determination of the amount and timing of such payments is complex and subject to variables, including the revenue generated by the digital streaming platforms and the number of their customers streaming or downloading our music works. As a result, we may not be paid appropriately for the licensing of our music works. Failure to have our royalties being accurately paid may adversely affect our business, operating results, and financial condition.

A significant portion of our revenue during the Track Record Period was derived from our major customer, as such, we are exposed to the risk of the reliance on a major customer and our business, financial condition and results of operations may fluctuate significantly in the event our revenue from our major customer should vary to a large extent.

For FY2020, FY2021 and FY2022, our major customer, Customer X, accounted for approximately 68.1%, 38.1% and 40.2% of our Group’s total revenue. Customer X may continue to account for a high proportion of our revenue in the future. Please refer to the section headed “Business — Our Customers — Reliance on a major customer” in this document for further details.

Our success largely depends on our ability to retain our major customers by offering our music works in accordance with their demands. Our relationships with new and existing customers depend on a number of factors, including our abilities to recognise and adapt to the changes in the music entertainment industry and to deliver high-quality music works.

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Our concentration on one or a few major customers might expose us to some business risks such as spending more resources on managing customer relationship with such major customers and limiting our ability to develop new customers or retaining other existing customers.

We have conditional contracts with Customer X. We cannot assure that Customer X would continue to use our music works under the existing contracts. If our competitors succeed in marketing their music works to Customer X, for example, offering more favourable terms or more appealing content or music works, we may lose Customer X and may not be able to find new customers who are of similar scale and who will use our music works on similar terms.

We expect that our future financial performance will depend on the success of the online music and audio entertainment platform of Customer X. In turn, the success of such platform of Customer X depends on several factors that are beyond our control, including the audience preferences and market acceptance, music works, their distribution channels and arrangements as well as governmental policy. Any adverse development, including the reduction in subscribers of the online music and audio entertainment platform of Customer X, could affect their success, or in the event Customer X experience financial difficulties, cease doing business with our Group, significantly reduce our services or cancel or amend material contract terms and we are unable to identify their replacements in a timely manner and on commercially acceptable terms, or at all, our business, results of operations and financial condition could be materially and adversely affected.

We are subject to cyclical factors which could have material impact on our financial results.

Our revenue, cashflow, operating results and other key operating and performance metrics may vary from periods to periods of a financial year due to our timing of revenue recognition affected by the cyclical nature of our music copyright licensing contracts with digital streaming platforms. Cyclical factors included, among others, timing of entering the contracts, different requirements on new music works to be delivered during the contract period, number and quality of music works delivered at the contract inception date and expected to be delivered during the contract period, the implementation of new anti-trust control. Should there be a significant change in the timing of revenue recognition for these contracts, our financial condition and results of operations may be adversely affected.

Our business largely depends on certain core artiste, namely Mr. Lu Han.

We rely on Mr. Lu Han, who is our core artiste, through Lu Han’s Group contributed to a significant portion of our revenue and purchase costs during the Track Record Period. During the Track Record Period, the revenue directly attributable to Mr. Lu Han amounted to approximately RMB15.0 million, RMB7.6 million and RMB15.3 million, representing approximately 21.2%, 9.3% and 16.2% of our Group’s total revenue, respectively. The total purchase from Lu Han’s Group represented approximately 29.5%, 16.1% and 7.9% of our Group’s total purchase costs for FY2020, FY2021 and FY2022, respectively. Please refer to the section headed “Business — Our Suppliers — Reliance on certain artistes” in this document for further details.

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Our business is largely depending on the popularity and reputation of Mr. Lu Han. We cannot predict audience preference and acceptance of Mr. Lu Han. In the event that Mr. Lu Han suffers from significant decline in his popularity, or is involved in any material negative news and malpractice, such negative public acceptance may have material adverse effect on our operations and there is no guarantee that we will be able to respond effectively and constructively sort out the negative impact which may include change in market preference, unfavorable media coverage, whether truthful or not, and rules and regulations on entertainment industries that affect or limit the scope and contents of performance by Mr. Lu Han. Any such negative impact may limit Mr. Lu Han’s exposure and his works, and our ability to promote Mr. Lu Han’s music works to our major customers as well as organise concerts that feature Mr. Lu Han. If any such incident has a continuing negative impact on the popularity of Mr. Lu Han, our business, financial position and relationship with major customers may be materially and adversely affected.

Further, we also cannot assure that Mr. Lu Han will continue to cooperate with us after the expiry in 2024 of the current contract with our Group or at a price considered reasonable to us. If we fail to renew our contract with Mr. Lu Han, our music library expansion might be adversely impacted which will impact our major customers’ willingness to cooperate with us in the future, and would in turn materially and adversely affect our business, results of operations and financial condition.

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Our prospects and financial results may be adversely affected if we fail to discover, engage and retain recording artistes.

One of our Group’s strengths is to discover the talent of the artistes, engage and retain artistes with long-term potential in music and performance. Their debut music works will bring value to our music library and continue to generate revenue. Our competitive position is dependent on our continuing ability to discover their talent and engage and retain them as our recording artistes. Our artiste management contracts are generally for a fixed term subject to renewal. The revenue of artiste management generated from our artistes’ participation in, among others, performances during the Track Record Period were approximately RMB1.8 million, RMB7.6 million and RMB3.6 million, respectively. For more details of our artiste management business, please refer to the section headed “Business — Our Business Model and Operations — (3) Artiste management” in this document. As at the Latest Practicable Date, we managed a total of 16 recording artistes and 10 trainee artistes respectively. Our financial results may be adversely affected if we are unable to discover and retain such recording artistes under terms that are economically attractive to us.

If we fail to engage suitable music creators, to continue to release successful new music works produced by us and to identify music works that attract our customers and audiences, our business and revenue growth potential may be adversely affected.

To further grow our music copyright licensing and recording business, we must continuously make strong efforts to engage suitable music creators who will assist in producing new music works with our managed recording artistes and to broaden our music library. In this regard, our Group and the music creators must predict and accommodate changes in customers and audiences’ interests and preferences, and the evolving competitive landscape of the music entertainment industry.

The commercial success of our music works depends partially upon market acceptance and trend. There are no objective methods or formulas that can predict the success and popularity of a particular song or album, as it depends on many factors, including the melody of the song, any critical acclaim it might be perceived, the reputation and popularity of the music creators and the artistes involved, the genre and the content quality. There is no assurance that we could continue to capture and anticipate the evolving market trends timely. In addition, the popularity of the existing music works might reduce over time, resulting in a decline in the value of our music library.

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The failure to achieve any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, liquidity and prospects. In addition, in the event of constant failures of our music works, our brand and reputation would be harmed and we may not be able to maintain our well-established relationships with major digital streaming platforms, which may adversely and materially affect our distribution capability.

If we fail to obtain the prior valid copyright or licence from the music creators or make payment of the remuneration pursuant to the contract with them, we may face copyright issues over our produced music works which would adversely affect our music library and business.

In general, subject to any contract with our customers which states otherwise, our Group would be the sole copyright owner of the music works produced by us. In the process of music production, which is a course of professional edition and combination of lyrics, music composition and performance, our Group, as the producer, shall first obtain copyright or licence from the music creators, such as lyricist, music composer and performer, either through an outright acquisition or a one-off licence, before we commence recording of the music works. Such music creators are entitled to the right of authorship over the music works and to receive remuneration as agreed with us. If we do not obtain the valid copyright or licence, or we fail to make payment of the remuneration pursuant to the contracts entered with the music creators and performers, we may be alleged to have infringed their legal and/or contractual rights. We could be required to withdraw the relevant music works from our music library, be ordered to pay monetary damages, lose the potential customers and cease the licensing of such music works. Our business and reputation would be adversely affected by any of foregoing.

Our business depends significantly on the reputation of our managed recording artistes and/or other external artistes featured in the concerts organised by us and the success of which is dependent on, amongst others, the reputation and popularity of the artistes and the concert content.

Audience are drawn to the concerts we organise based on factors such as the artistes reputation and popularity, the concert content and the overall production of the concert. If there is any negative news about these artistes, it will pose a negative impact on the concerts featuring these artistes. Negative publicity of or media coverage about our managed recording artistes or the contents of our concerts will cause a negative impact on the image of the artistes and our Group which could have a negative impact on our brand image in the music entertainment industry and our relationships with digital streaming platforms.

Furthermore, the popularity and audience acceptance of our managed recording artistes and/or concerts organised by us cannot be predicted accurately and we may not be able to respond to the changes in the market trends. Although we will be using part of our [REDACTED] from the [REDACTED] for our concert organisation business, there is no guarantee that we will be able to accommodate the audiences' preferences on the type of concerts they want to attend due to the changing market trends. For further details on our business strategy on broadening the genres of the concerts we organise, please refer to the section headed “Business — Our Business Strategies” in this document. In addition, we obtain revenue from the video copyright we hold in relation to the concerts we organise.

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The popularity of the concert and the preferences of the audience, in which we cannot control, will determine whether we will continue to receive revenue from the royalty as a result of holding the copyright to the concerts. The failure to achieve any of the foregoing or the sudden change in the audiences’ preferences will adversely affect our business, financial condition and results of operations.

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The production and distribution of our music works and/or concerts are subject to uncertainties, and there is no guarantee that the production or distribution of our music works can be kept within budget, with no complications and on schedule.

Unforeseen circumstances during production, such as accidents, equipment damage or malfunction, damages to the equipments, unavailability of recording studios or concert venues, delay in obtaining the requisite permits or licences, natural disasters and unavailability of music creators or artistes due to injuries or health issues, other engagement or a ban from the entertainment industry as a result of their personal behaviour, may disrupt the production progress. The distribution of our music works may also be delayed due to the changes in contracts with certain digital streaming platforms or audience’s acceptance of specific music on certain digital streaming platforms, leading to the delay or disruption to distribute and/or broadcast such music works. Any delay or adjustment in production or distribution schedule may increase the production or distribution cost or cause our Group to incur penalties. If we are unable to pass such increased cost onto our customers, our expected return would be reduced. In addition, a delay in production or distribution schedule may cause a breach of the agreements with our customers, artistes or music creators and entitle them to terminate the agreements, which would materially and adversely affect our business, financial condition and results of operations.

In circumstances where the production cost of a music work and/or concert significantly exceeds our budget, we and other co-investors may be required to contribute additional financial resources. Failure to obtain additional financial resources for music works and/or concerts may result in substantial delay in the progress of the production. In addition, when we are providing production services, we may need to bear the costs overrun or penalties pursuant to the relevant agreements. Any of the above circumstances may materially and adversely affect our business, financial condition and results of operations.

Our involvement in piracy, plagiarism and litigation of intellectual property (if any) could be costly, divert our time and resources of management which would adversely affect our business.

Our business is highly dependent upon intellectual property, an area that may encounter piracy, plagiarism and litigation. Our business and revenue would be adversely affected if our intellectual property rights are infringed and used by an unknown third party. We would not only lose our potential customers who might purchase and/or license our music works but also incur costs and manpower to protect our intellectual property. If we are alleged to infringe the intellectual property rights of a third party, any litigation to defend the claim could be costly and would divert the time and resources of management. There can be no assurance that we would prevail in any such cases. If we fail to protect our intellectual property, or lose related litigation case(s) we could be forced to pay monetary damages, lose the potential customers and to cease the sale and license of certain music works. Any of the foregoing may adversely affect our business.

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Part of our income is generally based on one-off engagements for our concerts organisation or the provision of concerts production services which are generally non-recurring in nature and any decrease of which would adversely affect our operations and financial results.

Our concert organisation and production business is based on a project-to-project basis and is generally one-off, under which we generate income from sales of concert tickets through ticket agents and royalty in relation to the concerts we organise and income from the provision of concert production services to the concert organisers or coordinators. There are no guarantees that the concerts would receive positive market response and whether they would meet the audiences’ preferences. We may also not succeed in producing additional concerts for our concert organisation business or for obtaining further projects for the provision of concert production services. There is no guarantee that we will be able to secure new audiences or customers to attend our concerts or engage us in our concert production services.

In terms of the concert production services that we are engaged in, the services we provide is usually one-off and non-recurring in nature which may create uncertainty in the stability of our revenue. In the event we are not able to maintain our relationships with the customers or unable to organise concerts or provide our concert production services on a continuous basis, our business, financial condition and results of operations may be materially and adversely affected.

In the concert organisation and production business, any change or deterioration in the performance of our suppliers and the quality of the performance equipment either owned by us or leased from our suppliers may have an adverse impact on our business operation and reputation.

Depending on the scale and complexity of the concert projects, we may engage suppliers to perform certain on-site production works, including on-site installation and dismantling works for performance equipment. We select our suppliers from our network of suppliers based on a number of factors, for details, please refer to the section headed “Business — Our Suppliers” in this document. We cannot guarantee that our suppliers will continue to provide services to our Group at prices or terms acceptable to us or at all in the future. We may not be able to constantly monitor the performance of our suppliers and assure that their respective staff are efficient. There can be no assurance that the services rendered by our suppliers will always be satisfactory or meet our customers’ quality and safety standards and timing requirements. If the performance of our suppliers is not up to the standard required by us or our customers, we may need to replace such suppliers or take remediations, which could adversely affect the cost and satisfactory provision of our services, reputation and ability to retain existing customers and attract new customers. Our business operations, profitability and financial performance may be materially and adversely affected.

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The quality of our performance equipment (whether self-owned or leased from our suppliers) may be affected by a variety of factors, such as accidental damage in the course of delivery, inclement weather or other circumstances which are beyond our control. During the Track Record Period, we have leased certain performance equipment from our suppliers when organising or producing concerts or events in the PRC. We cannot guarantee that our quality control measures would be effective in preventing any mechanical or technical defects of the performance equipment. For further details on our quality control on our concert organisation and production business, please see the section headed “Business — Quality Control” in this document. In the event of being provided with defective performance equipment, we may not be able to seek a replacement from our suppliers at comparable price, quality and/or quantity in a timely manner, which may materially and adversely affect our business operations, reputation and financial performance.

Our concert organisation business may be adversely affected if we are unable to book venues or obtain relevant approvals in accordance with the concert requirement.

One of our major tasks in our concert organisation business is to book venues as scheduled by us or requested by our client and obtain relevant approvals. We do not own any of the relevant event or concert venues. Our successful bookings are conditional upon a number of factors, including, entering into agreements with the relevant venue providers on terms that are acceptable to us which also match with the schedule of our artistes. In the event that we are unable to book the venues at our required dates or on terms that are acceptable to us or unable to obtain relevant valid approvals as scheduled, we may not be able to hold the relevant concert(s) according to the schedule, and we may be liable to the losses incurred by the artistes, artiste management companies and suppliers. Our long-term success in concert organisation businesses will depend on the part on our ability to book the venues, obtain approvals and to satisfy all conditions precedent for such bookings.

Our revenue may be adversely affected if the concerts, shows or events we organise need to be postponed or cancelled due to unforeseen circumstances that are out of our control.

We have derived revenue of approximately nil, RMB0.5 million and RMB0.7 million for FY2020, FY2021 and FY2022, respectively from the concert organisation and production. The concerts, shows or events we organise and/or produce may need to be postponed or cancelled due to various reasons, including, the health and availability of the performing artiste, changes in the venue and other unforeseen circumstances that are out of our control such as COVID-19. Since FY2020 and up to the Latest Practicable Date, we have in total eight large-scaled concerts featuring Mr. Lu Han, which were originally scheduled in December 2020 and January 2021 by our Group, but cancelled or rescheduled due to the

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implementation of more stringent precautionary measures on COVID-19 after discussions with relevant local bureau. The costs incurred for the preparation of Mr. Lu Han’s concerts recognised in FY2022 amounted to nil. For further details of force majeure events, please refer to the paragraph headed “Any occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business performance and results of operations” in this section.

If the concert, shows or events we organise need to be postponed or cancelled, we may need to refund the ticket fees to the audience and cancel the engagements of our suppliers, who may be entitled to forfeit the deposit we paid or termination penalties we might need to incur. Cancellation or postponement of our concert, shows or events may also lead to negative media coverage, bringing adverse effect to our reputation and subsequently affects our business.

Our pricing is determined based on the estimated time and costs to be involved in a concert project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our financial results.

We determine the price of concert projects at fixed costs based on an agreed scope of works and our management’s estimation of time and costs involved. We are typically responsible for all of our costs, including those of our suppliers. Our ability to achieve target profitability on any project is, to a large extent, dependent on our ability to accurately estimate and control these costs.

The actual time taken and costs incurred in completing projects may be adversely affected by many factors which may be beyond our control. Any material inaccurate estimation in the time and costs involved in a project may result in a lower profit than originally contemplated, despite any buffer we may have built into our quotation, which may in turn adversely affect our profit margin and operational results. Failure to deliver our services in accordance with the terms and conditions of the contracts may also result in legal claims and disputes against us or penalties incurred by us. Such delay or failure to deliver our services and/or unilateral termination of projects by our customers may also affect our reputation and may have a material adverse effect on our business operations and financial results.

We may be exposed to risks arising from and associated to our trade receivables and contract assets where we may not receive the full amount of contract assets or receive the amount in a timely manner.

Among our trade receivables with carrying amount of RMB20.7 million, RMB36.3 million and RMB19.9 million, which included the impairment recognised of approximately RMB1.0 million, RMB1.8 million and RMB0.8 million as at each of the year end date of the Track Record Period, they mainly arose from our services such as music/video production or concert production, we may be required to make advance payments to various suppliers before collection of any fee income near completion of our services, and the credit terms granted to our customers are generally within three months. Among our contract assets with carrying amount of RMB0.7 million, RMB10.3 million and RMB28.7 million as at each of the year end date of the Track Record Period, they mainly included the unbilled revenue which was subject to the fulfilment of the relevant new music works requirement.

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There is no assurance that we will receive the full amount of contract assets or receive the amount in a timely manner in certain circumstances, among others, disagreement on our delivered music works, prolonged process for acceptance on our delivered music works and other unforeseeable circumstances.

Our debtors turnover days were approximately 79.7 days, 151.4 days and 183.2 days, respectively during the Track Record Period. On the other hand, the trade payables turnover days was approximately 75.5 days, 97.7 days and 27.7 days, respectively during the Track Record Period. Any significant difference in the debtors turnover days and trade payables turnover days or in the event our customers default in their payment may lead to cash flow mismatch and have a negative impact on our Group’s working capital sufficiency.

We may be exposed to risks arising from and associated to our prepayments, receivables and other assets, which would adversely affect our cash flow or financial results.

Among our prepayments, other receivables and other assets with carrying amount of RMB19.4 million, RMB23.4 million and RMB26.7 million as at each of the year end date of the Track Record Period, they consisted primarily of loan receivables in relation to advances and up-front payments to our managed recording artistes as well as loans to Independent Third Parties. Our impairment losses recognised for loans receivables were RMB22.4 million, RMB25.2 million and RMB25.4 million. There are no assurance that the relevant parties may perform their obligations in a timely manner or at all; such as, concert organisers default in their repayment for our concert investment, disputes among concert investors and organisers, and our managed recording artistes or Independent Third Parties default in their repayment of the loans. In the event of the occurrence of the aforesaid circumstances, our results of operation, liquidity and financial position may be adversely affected.

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We cannot assure you that we will not experience net liabilities and/or current liabilities in the future, which could expose us to liquidity risks.

Although we had net assets and net current assets as at 31 December 2020, 31 December 2021 and 31 December 2022, there can be no assurance that we will not record net liabilities in the future. Net liabilities and/or net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, results of operations and financial condition could be materially and adversely affected.

Our operations may be subject to transfer pricing adjustment.

Our Group’s tax position may be subject to review and possible challenge by the relevant governmental authorities regarding our intra-group transactions and any possible change in laws and regulations. The relevant tax authorities may review and challenge our Group’s transfer pricing policy. If the relevant tax authorities consider that the transfer prices and terms that our Group has applied are not appropriate, they may require our Group to re-assess the transfer prices and re-allocate the income or adjust the taxable income. Any such reallocation or adjustment could result in a higher overall tax liability for our Group and may adversely affect the business, financial conditions and results of operations of our Group. For details of our transfer pricing arrangement, please refer to the section headed “Financial Information — Transfer Pricing Arrangement” in this document.

Our insurance coverage may not be sufficient to cover all the risks involved in our concert business operations.

Our concert operations are subject to risks typically associated with the provision of technical production and creative solution services by our Group or our suppliers (including installation and dismantling activities which may cause serious injury to person or damage to property). During the Track Record Period, our Group has maintained various insurance policies, including (i) public liability insurance; (ii) group personal accident insurance for production crew, and (iii) group personal accident insurance for artiste and assistants. For further details on our insurance coverage, please refer to the section headed “Business — Insurance” in this document.

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There can be no assurance that our current insurance coverage will be able to cover all types of risks involved in our concert business operations or be sufficient to cover the full extent of loss or liability for which we may be held liable. Any event that is not insured and any loss or liability that exceeds the limit, or is excluded from the scope of our existing insurance policies may materially and adversely affect our business, results of operations and financial condition. In addition, we may be exposed to insurance claims for damages and disputes against us. In the event we lose a litigation relating to the insurance claims, we will be forced to pay monetary damages. This will affect our business, results of operations and financial conditions.

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We are dependent on certain key management personnel for our continued success and growth.

Our Group’s success to-date is attributable to the contributions and expertise of our key management personnel, who each have valuable and extensive experience and knowledge in music content, concert organisation, production industries and in the music entertainment industry. In particular, our executive Directors, Mr. Li Hui and Mr. Tang Cheng-I, have been instrumental in formulating our business strategies and spearheading the growth of our business and operations. Our continued success and growth will depend, to a large extent, on our ability to retain the services of our executive Directors and other key management. The loss of services of any of our key management personnel without suitable and timely replacements may materially and adversely affect our business, prospects, financial performance and future growth.

Further, we believe that our future success will depend on our ability to attract, retain and motivate our key management personnel. In the event that we need to increase employee compensation levels substantially to attract, retain and motivate any key management personnel, our costs may increase and our financial performance may be materially and adversely affected. Our inability to attract, retain and motivate our key management personnel would adversely affect our business and financial performance.

Any change in or discontinuation of the preferential tax treatment that we have enjoyed during the Track Record Period may have a material and adverse impact on our results of operations.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》) and our preferential filing records of CIT (企業所得稅優惠事項備案表), our subsidiaries, Horgos Fenghua, Kashgar Fenghua, Kashgar Furui and Sheng Shi Fenghua (collectively “**Xinjiang Subsidiaries**”), enjoy an exemption from CIT during the stipulated period and up to 31 December 2020, 31 December 2023, 31 December 2023 and 31 December 2024, respectively. There is no assurance that the CIT policies on preferential tax treatment will not change in the future or that the current preferential tax treatment we have enjoyed will not be revoked at any given time. As stipulated in Cai Shui [2011] No. 112 and Cai Shui [2021] No. 27, enterprises newly established in Xinjiang Kashgar or Horgos special economic areas during the period from 2010 to 2030 can enjoy CIT exemption for five years starting from the year under which the company starts to generate revenue. Upon the expiry of CIT exemption and in the absence of similar preferential tax treatment, our Xinjiang Subsidiaries will be subject to CIT at a uniform tax rate of 25%. Any change in or discontinuation of such favourable tax treatment may materially or adversely affect our profitability and operating cash flows.

Our business may be adversely affected by competitive market conditions. As such, our business strategies may not be executed fully.

We intend to increase our revenue and cash flow through business strategies that will diversify our revenue streams into growing our music copyright licensing and recording business, concert organisation and production business and artiste management business. For further details on our business strategies, please refer to the section headed “Business — Our Business Strategies” in this document.

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Each of these initiatives requires sustained management focus, organisation and coordination over significant periods of time, the success in building relationships with third parties and in participating and keeping up with technological developments and customer preferences. It may involve the implementation of new business models, copyright licensing forms, concert forms or digital streaming platforms. If we are unable to implement our business strategy successfully or properly react to changes in market conditions, our financial condition, results of operations and cash flows could be adversely affected.

We are subject to the inherent risks of investment in concerts and may experience a loss in our investment.

Investments in concerts or events are speculative and inherently risky. Generally, concert or event organisers mainly derive their income from sale of concert or event tickets and sponsorship income and thus bear the profit or loss of a concert or event like an investor. There is no assurance that the cost of production can be kept within budget as there are many unforeseen circumstances. These unforeseen circumstances may prevent us from maximising the investment revenue and thereby materially and adversely affecting our profitability, business performance and results of operations.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

For FY2020, FY2021 and FY2022, our revenue amounted to approximately RMB70.6 million, RMB81.9 million and RMB94.8 million, respectively. However, such trend of historical financial information of our Group reflects our past performance only and does not have any implication or may not necessarily reflect our financial performance in the future. Our revenues, expenses and operating results may fluctuate from period to period due to factors such as our capability to secure new contracts, particularly for transactions on project-by-project basis, identify new promising business opportunities, maintain our reputation or relationships with our customers and managed recording artistes and control our cost. We cannot assure you that such growth rate can be sustained and if our Group experiences any stagnant or negative growth in the future, our profitability will be adversely affected.

We are subject to risks of recoverability of deferred tax assets.

As at 31 December 2020, 2021 and 2022, our deferred tax assets amounted to approximately RMB6.1 million, RMB6.7 million, and RMB6.5 million, respectively. Deferred tax assets are generally recognised to the extent that it is probable the taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised tax losses at 31 December 2020, 2021 and 2022 amounted to RMB19.7 million, RMB37.4 million and RMB46.5 million, respectively. In this context, we cannot guarantee the recoverability of our deferred tax assets, and to what extent they may affect our financial condition in the future.

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Our intangible assets may be subject to impairment, of which our results of operations and financial condition may be adversely affected.

As at 31 December 2020, 2021 and 2022, our intangible assets amounted to approximately RMB35.1 million, RMB39.4 million and RMB51.3 million, respectively, which mainly represented our (i) the music copyrights included in our music library, (ii) the music works that are in production and (iii) our software. As at each of the year end date during the Track Record Period, impairment losses in respect of our intangible assets were nil, RMB0.3 million and nil. For intangible assets not yet available for use, they are tested for impairment annually and at other times when such an indicator exists. For intangible assets which are in use, we tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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 materialise, 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. However, we cannot guarantee that in the future we will not record any impairment loss on our intangible assets. The impairment of our intangible assets could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

Our business operations may be affected by the COVID-19 pandemic.

An outbreak of respiratory disease caused by COVID-19 emerged in late 2019 has affected within the PRC and globally. The new strain of COVID-19 is considered highly contagious and poses a serious public health threat. The outbreak has endangered the health of many people residing in China and globally and significantly disrupted travel and the economy across China and globally. The World Health Organisation has been monitoring and evaluating the situation closely and diligently.

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The music entertainment industry in the PRC may be adversely impacted. The outlook of the music entertainment industry, economy slowdown and/or negative business sentiment could potentially have an indirect impact on the music entertainment industry and our business operations and financial condition may be adversely affected. Our concert organisation and production and artiste management businesses have been affected as the concerts, shows and/or events have been postponed or cancelled.

We are uncertain as to when the COVID-19 pandemic will be contained and we cannot predict if the impact will be short-lived or long-lasting. If the COVID-19 pandemic cannot be controlled effectively in a short period of time, our business operations in particular, our concert organisation and production and artiste management business, our financial conditions may be materially and adversely affected as a result of the changes in the outlook of the music entertainment industry, slowdown in economic growth, negative business sentiment or other unforeseen factors.

We may be unable to compete successfully in the highly competitive markets in which we operate and we may suffer from reduced profit.

The music entertainment industry in which we operate is highly competitive, subject to ongoing consolidation among major music content and recording companies, based on evolving customer preferences and market changes, and such industry require substantial human and capital resources.

We compete with other music recording companies to identify and sign with new artistes as well as music creators who will allow us to subsequently achieve long-term success and to renew agreements with them. In accordance with the CIC Report, we ranked 14th among over 400 music recording companies in terms of revenue generated from music copyright licensing and recording in the PRC for 2022 with a market share of approximately 0.6%. Among over 200 music recording companies with headquarters in the PRC, we ranked 3rd with a market share of approximately 1.5%. We may lose business if we are unable to engage successful artistes and music creators or to match the prices or the quality of music works and services, offered by our competitors. In our music copyright licensing and recording business, we compete not only with other music content and recording companies, but also with the live events companies, individual artistes who publish and release their own music works. Our music copyright licensing and recording business is, to a large extent, dependent on technological development, including access to and selection and viability of new technologies, and is subject to potential pressure from competitors as a result of their technological developments. For example, our music copyright licensing business may be further adversely affected by technological developments that facilitate the piracy of music, such as Internet peer-to-peer file sharing, by an inability to enforce our intellectual property rights in digital form and other format and by a failure to develop successful business modes applicable to a digital form and other format. The music copyright licensing business also faces competition from other forms of entertainment and leisure activities, such as cable and network TV box, the Internet, computer and videogames.

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As the industry trends of concert organisation and production are rapidly evolving, we may not always be able to keep pace with such trends to respond to the customers’ evolving preferences and demands in a timely manner. Our ability to provide our technical production and creative solution services to our customers depend on, among others, the availability of our concert content, lighting systems, audio systems, rigging equipment and other performance equipment which suit their needs. Our senior management and business operation team evaluate the need to source, rent or purchase new performance equipment by considering a variety of factors on a case by case basis, such as (i) the number of concert projects where our performance equipment will potentially be deployed; (ii) the trend and development of the concert industry; (iii) our assessment of the market reception of the technical effects produced by our performance equipment; and (iv) the expected revenue to be derived from our new performance equipment. If we fail to keep pace with the industry trend and to provide content and services to the satisfaction of our existing customers or potential customers, our competitiveness, business, results of operations and financial performance may be materially and adversely affected.

Our business in the music entertainment industry is sensitive to changes in the global financial markets as well as economic, political and social conditions in the PRC.

Our performance and financial conditions are highly dependent on the state of the economies of the PRC markets in which almost all of our revenue during the Track Record Period were generated. If there is a downturn in global financial markets, especially in the economies of the PRC, our existing and potential customers and their ultimate customers may reduce their discretionary spending on entertainments, including music works, album, live events, live performances and concerts, the overall market demand for our services may hence be reduced, and our results of operations and financial position may be significantly and adversely affected.

The economic conditions in the PRC are also subject to a number of factors including material fluctuations, volatility, disruptions or downturn of the broader global economic and financial environment. Any regional, national or global economic recession or stagnation may have a material adverse impact on our financial condition. Existing and potential customers may be reluctant to engage us for business cooperation, as a result of the global financial crisis, which in turn may result in the decline of our business and financial performance. We cannot assure you that there will be an improvement in the global economic conditions, and even if there is an improvement, there can be no assurance that such improvement will have a positive impact on our business, financial conditions and results of operations in the short term or at all.

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Further, any change in the existing political and social environment of the PRC may affect the demand for entertainment. For more details, please refer to the paragraph headed “Changes in the PRC economic, political and social conditions and government policies could have a material adverse effect on our business.” in this section.

The music works and production we produce and distribute are also subject to content censorship imposed by the PRC government.

In accordance with the Administrative Regulations on Audio-visual Products (音像製品管理條例), publishing, 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.

In accordance with the Provisional Regulations for the Administration of Internet Culture (互聯網文化管理暫行規定), Internet cultural units shall establish a self-examination system, specify specialised departments, and assign professional personnel to take charge of the self-examination and management of the contents and activities of Internet cultural products, so as to ensure the legality of the contents and activities of Internet cultural products.

Furthermore, according to the Several Opinions of the Ministry of Culture on the Development and Management of Online Music (文化部關於網絡音樂發展和管理的若干意見) and the Notice of the Ministry of Culture on Further Strengthening and Improving the Censorship of Online Music Content (文化部關於進一步加強和改進網絡音樂內容審查工作的通知), online music business unit shall examine the content of the online music works before publishing such products. Please refer to the section headed “Regulatory Overview — Regulations relating to content censorship of music works” in this document for details of the regulations relating to content censorship of music works imposed by the PRC government.

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We cooperate with some cultural units to make and publish our music works. If such cultural units deem our music works as illegal products during their internal review, they may reject to cooperate with us. If the cultural administrative departments deem our works as illegal products, they may order cultural units to cease publishing our music works. Both of those situations will materially and adversely affect our business, financial condition and results of operations.

Failure to obtain or renew our qualifications, licences or permits or have them revoked, or become deemed unattainable could materially affect our operations and financial performance.

We are required to obtain a number of qualifications, licences and permits for our business operations in the PRC, especially in relation to concert organisation and production. Please see the section headed “Business — licences and Permits” in this document for further details. If we fail to obtain or renew any of our qualifications, licences or permits necessary for our business, as a result of an a misinterpretation or inadvertent oversight, or such qualifications, licences or permits are revoked due to the violation of applicable laws, regulations and rules in respect of the production and content of our products, or become deemed unattainable due to rule changes of the applicable laws, regulations and rules, we may not be able to continue to carry out our business and our business and results of operations could be materially and adversely affected.

Our failure to comply with these laws and regulations or fail to obtain, hold or renew any of our necessary qualifications, licences or permits could result in fines and/or proceedings against us by the regulatory authorities and/or affected parties, which, if material, could materially and adversely affect our business, prospects, financial condition and results of operations.

Any occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business performance and results of operations.

Our business could be adversely affected by natural disasters or outbreaks of epidemics such as COVID-19, which may affect the production schedule of the concert we produce or release of our music works. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in the PRC could severely disrupt our business operations by damaging our network infrastructure or information technology systems, impact the productivity of our workforce, or reduce the demand for our products, which may materially adversely affect our business, financial condition and results of operations.

Furthermore, some of our customers might be sanctioned by certain jurisdictions. We cannot provide assurance or predict the interpretation or implementation of any sanction policy with respect to any of our customers. If our customers are sanctioned by these certain

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jurisdictions, our business and reputation could be adversely affected as we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

The current market condition may not be reflected in the statistical information included in this document.

The historical information set out in this document relating to the market conditions and valuations may not reflect the current market situation due to changes in the global economy, in particular, as a result of the COVID-19 pandemic. In order to provide context to the music entertainment industry in which we operate, and to provide a greater understanding of our market presence and performance, various statistics and facts have been provided throughout this document. However, although the statistics are mainly derived from the CIC Report, this information may not reflect current market conditions as the recent changes in local economic conditions may not be fully factored into these statistics, and the availability of the latest data may not be reflected in this document. As such, any information relating to market shares, sizes and growth, or performance in these markets and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results. Investors should note that one or more of these risks or uncertainties may materialise, or one or more of the underlying assumptions may be proven incorrect.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

We are subject to a wide variety of policies, laws and regulations promulgated and imposed by the relevant PRC authorities from time to time.

Our business operations are subject to a variety of PRC laws, rules and regulations, which affect various aspects of our operations, including, among others, ownership structure, requisite licences and permits, marketing strategy, product content, customer relationship and intellectual property. In particular, with the continuous development and growth in entertainment industry in the PRC, the government may issue and promulgate more policies, laws and regulations from time to time so as to regulate the entertainment artistes, including music artistes, and standardise the order of artiste management industry. A series of regulations were issued during the Track Record Period and up to the Latest Practicable Date, for details, please refer to the sections headed “Regulatory Overview — Maximum Wage Order” and “Regulatory Overview — Special Regulations Relating to Cultural Programs and Entertainment Artistes” in this document.

Considering the complexity and magnitude of the regulations requirements, compliance with them may be burdensome or require a significant amount of labor, financial or other resources. Notwithstanding our internal control policies as set out under “Business — Internal control and risk management systems” in this document. These regulations requirements change from time to time and thus we cannot assure you that the relevant PRC government authorities will not impose any additional or more stringent regulations requirements, compliance with which may cause us to incur significantly increased costs. Failure to comply with the regulatory requirements may lead to, depending

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on the seriousness of the non-compliance, rectification, fine, penalties, and/or banning of artistes from carrying on commercial activities, which will materially and adversely affect our reputation, as well as our business, financial condition, results of operations and prospects.

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Changes in the PRC economic, political and social conditions and government policies could have a material adverse effect on our business.

All of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole. The economy of the PRC differs from other countries in many respects such as its structure, degree of government involvement, level of development, growth rate, foreign capital investment, allocation of resources, the rate of inflation and balance of payments position. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy, and the PRC government has implemented measures emphasising the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the PRC. We cannot assure you that the PRC government will continue to pursue a policy of economic reform which favours our business. Any changes in the political, economic and social conditions in the PRC or the relevant policies of the PRC government may materially and adversely affect our business, financial condition and results of operations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations.

The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People’s Congress. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

In particular, 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 performance brokerage industry and music-related industries in the future. For details, please refer to the paragraph headed “We are subject to a wide variety of policies, laws and regulations promulgated and imposed by the relevant PRC authorities from time to time.” in this section.

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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 more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we may enjoy as compared with those of other legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

The PRC government’s control of currency conversion may limit our ability to utilise our capital effectively.

Our revenues derived from our subsidiaries in the PRC were mainly received in RMB. At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from the SAFE only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors. However, the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to require the prior approval of the SAFE and are subject to significant foreign exchange controls. Our ability to use our future profits to finance our business activities conducted through our PRC subsidiaries will depend on our ability to obtain these government registrations or approvals. Moreover, changes in the PRC foreign exchange regulations may materially and adversely affect our ability to transfer funds to and receive dividends from our PRC subsidiaries. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB.

Moreover, the exchange rates of the RMB against foreign currencies are affected by, among other things, changes in the PRC’s political and economic conditions. If our subsidiaries in the PRC are able to distribute dividends to our Company, we will convert

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our RMB into HKD. In such case, any appreciation of the HKD against RMB would reduce the amount we may receive. This may adversely and materially affect the financial condition and our results of operations.

We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and investors’ investments.

The value of the RMB has been under pressure of appreciation in recent years. Due to international pressure on the PRC to allow more flexible exchange rates for the RMB, the economic situation and financial market developments in the PRC and abroad and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the RMB exchange rate regime and to enhance the RMB exchange rate flexibility.

A majority of our revenue and our expenses are denominated in RMB. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries and Consolidated Affiliated Entities. Any appreciation or depreciation in the value of the RMB or other foreign currencies that our operations are exposed to will affect our business in different ways. Any significant change in the exchange rates of the HKD against RMB may materially and adversely affect the value of, and any dividends payable on, our Shares in HKD. An appreciation of RMB against the HKD would also result in foreign currency translation losses for financial reporting purposes when we translate our HKD denominated financial assets into RMB, as RMB is the functional currency of our subsidiaries and Consolidated Affiliated Entities inside China. Conversely, if we decide convert our RMB into HKD for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the HKD against RMB would have a negative effect on the HKD amount available to us. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We may be deemed to be a PRC tax resident under the EIT Law, and as a result, our global income could be subject to PRC withholding tax and enterprise income tax.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in a Hong Kong-incorporated subsidiary, which in turn directly or indirectly hold interests in our PRC subsidiaries. Pursuant to the EIT Law and its implementation rules (“**EIT implementation rules**”), dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC-resident enterprise are subject to a 10.0% withholding tax, unless such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Under an arrangement between China and Hong Kong, effective in January 2007, such dividend withholding tax rate is reduced to 5.0% for dividends paid by a PRC company to a Hong Kong-resident enterprise if such Hong Kong entity is a “beneficial owner” and such entity directly owns at least 25.0% of the equity interest of the PRC company. The Announcement of the SAT on Issues Concerning the “Beneficial Owner” in Tax Agreement (國家稅務總局關於稅收協定中“受益所有人”有關問題的公告), effective in April 2018, provides certain negative factors for a company to qualify as a beneficial owner under tax treaties, which include, among others, that the business activities engaged in by

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the company do not qualify as substantive business activities, for instance, the company engages in both non-substantive investment management activities and other business activities that are not significant enough. If the PRC tax authorities determine that our Hong Kong subsidiary does not qualify as a beneficial owner under the tax arrangement between China and Hong Kong, we may not be able to enjoy a preferential withholding tax rate of 5% and dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at the rate of 10.0%.

The EIT Law and EIT implementation rules also provide that if an enterprise incorporated outside China has its “de facto management bodies” within China, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to an enterprise income tax rate of 25.0% on its global income. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. On 22 April 2009, the SAT promulgated a circular, known as Circular 82, and partially amended by Circular 9 promulgated in January 2014 and Circular 42 promulgated in December 2017, to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered as a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in China; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, the SAT issued a bulletin, known as Bulletin 45, effective on 1 September 2011 and amended on 1 June 2015, 1 October 2016, and 15 June 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general.

As there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises not controlled by PRC enterprises (including companies like ourselves), it remains unclear how the tax authorities will treat a case such as ours. Nevertheless, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we will be subject to the uniform 25.0% enterprise income tax on our global income. In addition, although the EIT Law provides that dividend payments between qualified PRC-resident enterprises are exempt from enterprise income tax, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us will meet such qualification requirements even if we are considered as a PRC resident enterprise for tax purposes.

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There are significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, and the PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our shares may be materially affected.

We face uncertainty relating to PRC laws and regulations relating to transfers by a non-resident enterprise of assets of a PRC resident enterprise.

On 3 February 2015, the SAT issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告), or Circular 7, which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知), or Circular 698, which was previously issued by the SAT on 10 December 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

For example, Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of PRC Taxable Assets under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the equity interest of the overseas enterprise is directly or indirectly attributable to the PRC Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of PRC Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of PRC Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organisation forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organisation forms suggest; or (iv) the income tax from the indirect transfer of PRC Taxable Assets payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

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Circular 7 contains certain exemptions, including (i) the Public Market Safe Harbor described below; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. However, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares that do not qualify for the Public Market Safe Harbor or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transactions by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares that do not qualify for the Public Market Safe Harbor by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market,” or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed “Information About this Document and the [REDACTED]” in this document, potential investors should consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and [REDACTED] in the Shares.

You may be subject to PRC income tax on dividends from us or on any gain realised on the sale or other disposition of our Shares under PRC law.

Under the EIT Law, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from sources within China payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realised by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

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Although almost all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered as a PRC resident enterprise. If PRC income tax is imposed on gains realised from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of our investors investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefit under such tax treaties or arrangements.

PRC regulation of loans to and direct investments in the PRC entities by offshore holding companies may delay or limit us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to registration with relevant governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE or its local branches, and (ii) our PRC subsidiaries may not procure loans which exceed a statutory limit.

We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such registration or obtain such approvals, our ability to use the [REDACTED] of the [REDACTED] and to capitalise our PRC operations may be adversely affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (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), or SAFE Circular 37, was promulgated by the SAFE on 4 July 2014 which requires PRC residents or entities to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

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Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

According to the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments (國家外匯管理局關於發佈境內機構境外直接投資外匯管理規定的通知), or SAFE Circular 30, and other regulations, if our shareholders who are PRC entities do not complete their registration with the competent NDRC or MOFCOM branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. In addition, our shareholders may be required to suspend or stop the investment and complete the registration within a specified time, and may be warned or prosecuted for relevant liability. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restriction.

On 13 February 2015, the SAFE promulgated 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), or SAFE Circular 13, which came into effect on 1 June 2015, pursuant to which local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37 and SAFE Circular 30, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

We have requested PRC residents holding direct or indirect interest in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents and, therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with Circular 37 or other related regulations. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by Circular 37 or other

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related regulations in a timely manner. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries’ ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could materially and adversely affect our business and prospects.

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

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and the supporting guidance documents(collectively the “**Measures on Listing**”), which came into effect on 31 March 2023. For more details, please refer to the section headed “Regulatory Overview — Laws and Regulations Relating to Overseas Listing” in this document.

As advised by our PRC Legal Adviser, we are required to go through the filing procedures with the CSRC under the Measures on Listing. We will file with the CSRC within the specific time limit as required by the Measures on Listing and seek guidance from the relevant regulator and/or our legal advisers to ensure our compliance in all respects. Given that the Measures on Listing were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. In addition, it is uncertain whether we can or how long it will take us to complete such filings. Any failure to complete such filings for the [REDACTED] would subject us to sanctions by the PRC regulatory agencies. Furthermore, such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition.

Failure to comply with the applicable laws and regulations on environmental, social and governance matters may subject us to penalties and adversely affect our business, financial condition and results of operations.

Regardless of industry, there has been increasing awareness of matters relating to environmental, social and governance (“**ESG**”) from investors, regulatory authorities and the general public. Some investors have integrated ESG factors in formulating their investment strategies, for example they may decide to adjust their investment portfolios and reallocate capital or divest their shareholdings in a company based on their assessment of a company’s ESG practices. In response to such trend, regulators of listed companies and stock exchanges around the world have also set higher expectations and stricter requirements for listed companies from the perspectives of ESG standards.

We are particularly subject to certain information security risk and reputation risk. The protection of confidential information is an essential part of a company’s good corporate governance. Any leakage of trade secrets, industrial knowhow or information

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relating to intellectual property would be detrimental to the competitiveness of a company. Since we primarily engage in music copyright licensing and recording as well as artiste management, we have to handle our intellectual property, the unpublished music works and the personal information of our artistes with due care. If we fail to protect our confidential information or trade secrets, our business may be seriously affected. Maintaining good reputation of our Company and artistes is also a major focus in our corporate governance system. If we or our artistes engage in any conduct or make any statements that are inconsistent with certain moral values, ethical standards, or other ESG considerations, our reputation and business operation could be significantly affected.

Additionally, the PRC government has been increasingly emphasising the importance of ESG factors in recent years and has implemented various policies and regulations accordingly. For example, there have been several policy initiatives aimed at promoting sustainable development and corporate responsibility, and to eventually achieve carbon neutrality by 2060. While we have to allocate our resources and effort to design governance systems in compliance with the existing ESG regulations, the PRC government may promulgate new laws and regulations from time to time. Considering the unpredictable nature of social trends and the uncertainties in the political environment, it will cost us a substantial amount of time and resources to constantly monitor the latest developments in ESG laws and regulations that may become applicable to us. Any potential changes in social trend and political policies relating to ESG could significantly increase our regulatory compliance costs or require us to alter our existing practices in a way that might interrupt our business operation.

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

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, a majority of our current directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, because there are no clear statutory and judicial interpretations or guidance on a PRC court’s jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

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RISKS RELATING TO THE [REDACTED]

An active trading market of our Shares may not develop.

Prior to the [REDACTED], there has been no public market for any of our Shares. [REDACTED] on the Main Board of the Stock Exchange does not guarantee that an active and liquid trading market of our Shares will develop. If an active trading market for our Shares does not develop or is not sustained after the [REDACTED], the market price and liquidity of our Shares could be materially and adversely affected.

The liquidity and price of the Shares may be volatile.

The [REDACTED] may not be indicative of the price at which the Shares will trade following the completion of the [REDACTED]. There is no assurance that the market price of the Shares will not fall below the [REDACTED]. Trading volume and prices for the Shares may also fluctuate significantly. The trading price and trading volume of our Shares subsequent to the [REDACTED] may be affected or influenced by a number of factors from time to time, including variations in the operating results of our Group, changes in pricing by our Group or our competitors; changes in our Group’s key and senior management; and general economic, political and stock market conditions in the countries in which we operate and elsewhere in the world and other factors which may not be controllable or foreseen by us.

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Historical dividends are not indicative of future dividends.

For FY2020, FY2021 and FY2022, our Group declared dividends of nil, nil and nil, respectively, to our then Shareholders. Such dividends should not be used by potential investors as a guide to the future dividend policy of our Group. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The past dividend rates should not be used as a reference or basis to determine the number and amount of dividends distributable in the future. The amount of any dividends to be declared in the future will be subject to, among other factors, the discretion of our Directors, having considered the working capital requirements in the future, the availability of distributable profits, our Group’s results of operation, working capital, capital and funding requirements, tax requirements, the applicable laws and other relevant factors. For further details, please see the section headed “Financial Information — Dividend Policy” in this document.

Purchasers of our [REDACTED] may experience immediate dilution and investors may experience further dilution if our Company issues additional Shares in the future.

The [REDACTED] of our [REDACTED] is higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] adjusted net tangible assets value.

Our Company may also issue additional Shares upon exercise of the [REDACTED] and upon the exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, our Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced, or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Company’s securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent our Company issues additional securities in future [REDACTED]. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the [REDACTED]. After these restrictions lapse or if they

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are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares, or the possibility of such sales, by us could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

Future sale or major divestment of Shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares.

The Shares held by some of our existing Shareholders are subject to certain lock-up periods. However, we cannot give any assurance that, after the expiry of the lock-up periods, our Controlling Shareholders will not dispose of any Shares. Sales of substantial amounts of Shares by our Controlling Shareholders in the public market after expiry of the relevant lock-up periods, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

New business strategies formulated in the future could disrupt our Company’s ongoing business and present risks not originally contemplated.

Our Company may in the future invest in new business strategies or acquisitions. For further details on our business strategies, please see the section headed “Business — Our Business Strategies” in this document. Such endeavours may involve significant risks and uncertainties, including distraction of management from current operations, insufficient revenue to offset the liabilities assumed and expenses associated with the strategy, inadequate return of capital and unidentified issues not discovered in our Company’s due diligence. As these new ventures are inherently risky, no assurance can be given that such strategies and initiatives will be successful and will not materially and adversely affect our Company’s financial conditions and operating results.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favourable return to our Shareholders. For details of our plan to use the [REDACTED] from the [REDACTED], please refer to the section headed “Future Plans and [REDACTED] — [REDACTED]” in this document. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the [REDACTED] from this [REDACTED].

The laws of the Cayman Islands relating to the protection of minority shareholders may be different from those of Hong Kong and the PRC.

Our Company is incorporated in the Cayman Islands, and its affairs are governed by the Articles of Association, the Companies Act and common law applicable in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those of Hong Kong, the PRC or other jurisdictions where investors may be located. This may mean that the remedies available to our Company’s minority shareholders may be different from those they would

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have under the laws of other jurisdictions. A summary of Cayman Islands company law is set out in “Summary of the Constitution of our Company and the Cayman Islands Company Law” in Appendix III to this document.

Waiver has been granted from compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. The waiver 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, waiver from strict compliance with the relevant provisions of the Listing Rules. Please refer to the section headed “Waiver from Strict Compliance with the Listing Rules” in this document for further details. There is no assurance that the Stock Exchange will not revoke the waiver granted or impose certain conditions on any of the waiver. If the waiver 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 multi-jurisdictional compliance, all of which could adversely affect us and our Shareholders.

RISKS RELATING TO STATEMENTS IN THIS DOCUMENT

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the [REDACTED] and us.

Before the publication of this document, there may be press and media coverage which contains certain information regarding the [REDACTED] and/or us that is not set out in this document. We have not authorised the disclosure of such information in any press or media and we 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 presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it, and our investors should not rely on any such information.

There are risks associated with forward-looking statements contained in this document.

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “aim”, “expect”, “contemplate”, “believe” “plan”, “project”, “foresee”, “seek”, “may”, “might”, “shall”, “would”, “intend”, “can”, “could”, “should”, “anticipate”, “estimate”, “continue”, “target” and “will”. These forward-looking statements include, among other things, the discussion of our growth strategy and expectations concerning our future business, operations, liquidity and capital resources. Purchasers of our Shares are cautioned that any forward-looking statements are subject to uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of these assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in the section headed “Risk Factors” in this document, many of which are not

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within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this document, whether as a result of new information, future events or otherwise.

Investors should not place undue reliance on certain facts, forecasts and other statistics in this document obtained from publicly available sources which have not been independently verified.

Certain facts, forecasts and other statistics in this document are derived from various government and official resources. We cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we, the [REDACTED], or any of our respective affiliates or advisers nor the Sole Sponsor, the [REDACTED], any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED], have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information used in this document may not be consistent with such information obtained from government and official resources, and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

Investors should not place undue reliance on the information in this document which is not factual but hypothetical in nature such as analyses based on assumptions.

Information in this document which is not factual but hypothetical in nature including but not limited to any sensitivity analysis on our historical financial data is based on assumptions and is for reference only and should not be viewed as the actual effect. Such information by no means reflects our Group’s historical experience and financial results. Prospective investors should not place undue reliance on such information.