SportsQuest, Inc. (OTC: SPQS) Executive Summary AI China

Huayi Cinemas Incoming AI OperatingChina Cinema Chain OTC Filing

West Palm Beach, Florida, March 20, 2024. The Company SPORTS QUEST (SPQS) www.sports-quest.co (Company) is providing the following comprehensive corporate filing on the incoming China based AI cinema chain https://huayicinemas.net/ (AIC) in OTC: SPQS. The management is of the opinion that this is a material event that requires a public disclosure.

Operating Co OTC:

SPQS Business Plan OTC Filing

深圳华奕亨卓影业有限公司

Shenzhen Huayi Excellent Cinemas Co.,Ltd

A new experience of AI
fully intelligent digital
cinema chain operations!

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Executive Summary

Business Description

Shenzhen Huayi Excellent Cinemas Co., Ltd.is headquartered in Futian District, Shenzhen. Guangdong Province, China. As a cultural high-tech enterprise leading the chain operation of movie theaters , the company takes digital intelligent system technology as its core competitive advantage . Through its independently developed “Thousands of Cities, Ten Thousands of Cinemas” large-scale model, it accurately manages chain movie theater resources and data traffic to achieve efficient operations. The company is committed to building an influential theater chain brand, integrating AI technology and big data intelligence, covering the film industry chain, and bringing innovation and change to the industry. The company will continue to innovate, enhance the movie-watching experience, and contribute to the development of the film industry.

The company has currently acquired 12 movie theatersand 3 more under acquisition, located in major cities in China,and with a total of 139 employees at the headquarters and various theaters. It is planned to acquire 50 cinemas by the end of 2024; expand to 150 in 2025; and reach 500 in 2028. At the same time, through independent research and development of AI technology, it is expected to manage 1,000 franchised cinemas in 2025-2026, becoming China's leading cinema chain brand. The company's goal is to achieve 70% market share.

Products and Services

The company's main products are four : Huayi chain cinemas , “Thousands of Cities, Ten Thousands of Cinemas” AI large scale models, Huayi cinema robots , and Huayi scent movies .

1. Huayi Cinema Chain

Huayi Cinema Chain is a well-known cinema chain brand in China, known for its high-quality movie screenings and cinema experience, which continues to attract a large number of audiences. The theater provides comfortable seats, advanced equipment and high-quality services to create a superior viewing environment and screen various types of movies, including Hollywood blockbusters, Chinese movies and independent films, to meet the needs of different audiences. Provide discounts and benefits through membership services, actively promote online and offline integration, and provide convenient digital experiences.

The company already owns 12 movie theaters and the situation is as follows:

Theater name	**City**	**Number of theater employees**
Huayi Cinema Management Kunming Co., Ltd.	Kunming	10
Yangzhou Huayi Zhihe Film Co., Ltd.	Yangzhou	10
Cixian China Film Co., Ltd.	Ci County	10
Dalat Banner Huaying Online Film Development Co., Ltd.	Ordos	12
Ordos Huayi Film and Television Development Co., Ltd.	Ordos	12
Shenzhen Shenying Investment Co., Ltd.	Shenzhen	8
Shenzhen Wanyou Cinema Management Co., Ltd.	Shenzhen	8
Shenzhen China Film Parkway Film Investment Co., Ltd.	Shenzhen	8
Shenzhen Jiale International Cinema Co., Ltd.	Shenzhen	9
Shenzhen Bayan Baichuan Cinema Investment Co., Ltd.	Shenzhen	10
Yinshan (Shanghai) Film Projection Co., Ltd.	Shanghai	12
Baoji Wuzhou Giant Screen Cinema	Shanxi	10
Total	**12**	**119 people**

2. “Thousands of Cities, Ten Thousands of Cinemas” of AI large scale model

Huayi Excellent Cinemas uses urban EBLS big data and AI technology to achieve intelligent cinema management and personalized services. Use AI technology to accurately analyze big data, understand audience preferences, formulate precise marketing strategies and provide personalized services. Optimize the utilization of natural traffic, improve audience attraction and retention rates, enhance the viewing experience, and achieve business growth and user satisfaction. Combine AI technology and community merchant resources to promote intelligent marketing activities and value-added services based on AI recommendations. Optimize community merchant cooperation to achieve more effective cooperation models and resource sharing.

3. Huayi Cinema Robot

Huayi Cinema Chain uses robots equipped with digital AI intelligent system technology to realize automated theater operations. Huayi Robot includes functions such as intelligent dialogue, automatic ticketing, security monitoring, AI duty, intelligent film arrangement and unmanned supermarket. Huayi robots can communicate with audiences, solve problems, remotely monitor the cinema scene, and can also replace some of the venue, financial and front-office functions to reduce labor costs. This will improve efficiency, enhance service quality, and bring an intelligent movie-watching experience to audiences.

4. Huayi Scent Movie

Huayi Scent Movie is an innovative form of movie experience. The audience can smell the scent of the corresponding scene in the picture while watching the movie, thereby improving the user's movie-watching experience. By combining digital scent technology with smart hardware playback devices, precise and synchronous playback of scents in movie scenes is achieved, making the movie richer and more vivid. This new technology provides viewers with an additional sensory experience, making movie viewing more exciting and immersive.

This innovative form represents an epoch-making change and innovation in the film industry, incorporating scent as an important element of the film, making it an integral part of movie viewing. The emergence of Huayi Scent Movies has opened a new chapter in movie experience, brought a new movie-watching experience to the audience, enriched the expression of movies, and injected new vitality into the movie industry. The development and application of this technology will further promote the innovation and development of the film industry and bring a more colorful film experience to the audience.

Our unique advantages:

- AI intelligent digital cinema chain : Use AI fully intelligent systems to manage cinema chains, achieve natural traffic growth and high efficiency, integrate commercial traffic around the cinema, and inject new impetus.

- Non-ticket income : develop movie derivatives, cultural and creative products, NFT, etc., build a local life platform, expand sales channels, and achieve growth in non-ticket income.
- Advertising revenue potential : Utilize cinema advertising media resources and cooperate with advertising media resources to maximize advertising revenue.
- Huayi Robot leads the innovation of cinemas : Huayi Robot provides revolutionary on-site services, communicates with movie-watching customers, solves problems, monitors remotely, reduces labor costs, and realizes the vision of AI fully intelligent digital cinema.
- Huayi Scent Movie: Huayi Scent Movie is an innovative form of movie experience. Through the combination of digital scent technology and intelligent hardware playback devices, it realizes the simultaneous playback of scent in movie scenes. This innovation leads the era of the film industry. Change, taking scent as one of the important elements of movies and becoming an indispensable part of movie watching.

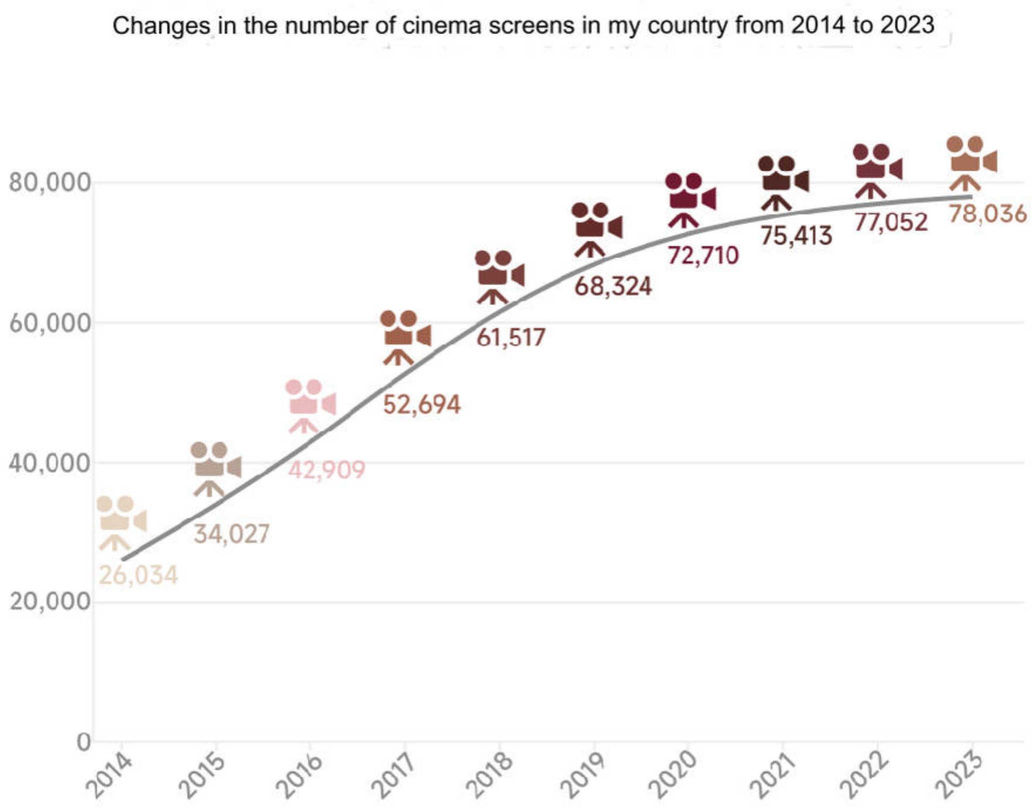
The Market

1. China's film market has huge potential.

As China's economy continues to develop, people's demand for cultural life is increasing. At present, the average number of moviegoing per capita in China is only 1.2 times per year, far lower than the 4-5 times in European and American countries, indicating that the market still has room for four-fold growth. From 2010 to 2019, China's movie box office grew from 10.2 billion to 64.2 billion yuan, with a ten-year compound growth rate of 39%. China has a population of 1.4 billion. Based on the current number of movie viewings, the market potential is huge, showing huge room for development.

2. The scarcity of movie theaters in China highlights.

According to Beacon Professional Edition data, there were 12,725 operating theaters in China with 78,036 screens as of the end of 2023, and most of the theaters were independent entities. There are about 10 large-scale cinema chain companies in the country, covering more than 2,000 cinemas. Huayi Cinema plans to expand its scale through acquisitions from 2024 to 2028, with the goal of acquiring 500 independent independent cinemas, and through independent development of AI technology, to jointly manage 1,000 franchise cinemas from 2025 to 2026. The company will increase the number of cooperative theaters year by year, aiming to achieve 70% market share. The company's strategy includes expanding the scale of its own cinema chains through acquisitions, and introducing AI systems to manage cooperative franchises to increase market share, accelerate development and achieve industry leadership.



The Opportunity

1. Financial challenges: Cinema operating costs are high, including rent, box office accounts, employee wages, etc. Cash flow problems have been severe during the epidemic, and the break in the capital chain has become a major challenge.
2. Cinema chain operation management: Use AI big data products to solve chain franchise management problems and improve service quality and efficiency.
3. Traffic reuse: Maximize the value of surrounding resources and improve profitability by reusing traffic from surrounding commercial formats.
4. Digital transformation: Traditional management methods are backward and digital technology and intelligent systems are missing, affecting efficiency and customer experience.

5. Non-box office revenue: Increasing revenue through non-box office channels such as advertising and catering is a challenge to maximize profits.

6. Competitive pressure: Facing competition from streaming media services, we must continue to innovate and improve service quality to attract audiences.

The Solution

1. Solutions to financial challenges: introduce investors or financial support, optimize financial structure, seek financial support from partners or financial institutions, and formulate effective financial management strategies to ensure the stability of the capital chain.
2. Solutions to cinema chain management problems: Introduce advanced AI technology and big data management systems to realize intelligent cinema chain management, improve service quality and efficiency, optimize operational processes, provide precise services and data analysis, and improve overall management levels.
3. Solutions to the problem of traffic reuse: Use digital marketing methods and marketing strategies to integrate traffic resources from surrounding commercial formats, carry out joint marketing activities, launch membership systems or preferential activities, increase audience stickiness, and increase theater passenger flow and revenue.
4. Digital transformation solutions: Promote the digital transformation of cinemas, introduce smart devices and technologies, and improve digital service capabilities, such as online seat selection and ticket purchase, mobile payment, and membership management systems, to enhance audience experience and convenience.
5. Advertising revenue optimization solution: Develop attractive and creative advertising cooperation plans, customize cooperation with advertisers, make full use of cinema advertising media resources, and improve the quality and quantity of advertising revenue.
6. Introduce intelligent robot services: Introduce intelligent robots to provide on-site services, interact with movie-watching customers and solve problems, reduce labor costs, improve service efficiency, and achieve intelligent management and operations.
7. Huayi Scent Movie : Scent movie is an innovative form of movie experience. Through the combination of digital scent technology and intelligent hardware playback devices, it realizes the simultaneous playback of scents in movie scenes. This innovation leads the era of the film industry Change, taking smell as one of the important elements of movies and becoming an indispensable part of movie watching.

Competition

Until the end of March 2024,

Main Competitors

Name	Number of Cinemas	Screen	Nature/Type
Wanda Movie	857	7203 screens	National chain
Hengdian Film and Television	503	3154 screens	National chain
Jinyi Film and Television	422	2678 screens	National chain
Chinese film	131	985 screens	National chain
blue ocean of happiness	130	856 screens	National chain

Competitor advantages: more theaters and screens, and brand influence.

Our advantages:

1) Products/Services: Our AI fully intelligent digital cinema chain and robotic technology directly compete with traditional cinemas to improve operational efficiency, reduce costs, and open up new revenue channels.

2) Price and quality: Flexible pricing and promotion strategies attract audiences and partners and stay competitive.

3) Business model: It has advantages in the field of intelligent services and value-added experience, and provides non-traditional revenue sources (such as SAAS platform, NFT sales).

4） Innovate marketing strategies and cooperate with many independent film and television companies .

5) Huayi Scent Movie : Huayi Scent Movie is an innovative form of movie experience. Through the combination of digital smell technology and intelligent hardware playback devices, it realizes the simultaneous playback of smells in movie scenes. This innovation leads the film industry With the changes of the times, smell has been regarded as one of the important elements of movies and has become an indispensable part of movie watching.

Operations

Implementation plan overview:

1. **The capital chain is stable** :
   - Attract investors or seek financial support and re-plan the financial structure.
   - Establish a dedicated financial team to be responsible for fund management and operations.
2. **Chain management optimization** :
   - Independently develop AI technology and big data management systems to achieve intelligent management.
   - Establish a chain management team to be responsible for unified planning and execution of management strategies.
3. **Traffic reuse** :
   - Develop digital marketing strategies and integrate surrounding business resources.
   - Establish a marketing team to be responsible for the execution of promotion and marketing activities.
4. **Employee incentive mechanism** :
   - Establish a sound compensation system and incentive mechanism.
   - Establish a human resources team to be responsible for employee management and motivation.
5. **Digital transformation** :
   - Promote digital transformation and introduce smart devices and technologies.
   - Establish a technical team responsible for the planning and implementation of digital transformation projects.
6. **Ad revenue optimization** :
   - Develop customized advertising solutions to increase advertising revenue.
   - Establish an advertising and marketing team to be responsible for advertising cooperation and revenue optimization.
7. **Intelligent robot service** :
   - Independently develop intelligent robots to provide services and improve efficiency.
   - Establish a customer service team to be responsible for the management and operation of intelligent robot services.
8. **Huayi Scent movie**

- Independently develop intelligent hardware playback equipment and develop digital scent technology .
- Establish an advertising and marketing team to be responsible for the planning and implementation of Huayi Scent Movies .

Management Team

Name	Position	age
Cao Yiyuan	CEO	32
Qin Qianjin	CFO	61
Zou Shungen	COO, Director of Operations	50
Song Jinghua	Technical Director CTO	39
Yi Wanqing	Corporate lawyer	28

core team members

Li Tieqiao——Chairman

- Having been deeply involved in the film industry for 20 years , he has rich experience in corporate operation and management.
- Corporate strategic marketing expert
- Served as general manager of large enterprises such as private enterprises and state-owned enterprises

Zhang Jiarui—— Co-founder

- Nearly thirty years of experience in entity operations
- Have rich investment experience and industrial layout capabilities
- Have extensive experience in team management

Cao Yiyuan—— CEO , Co-Founder

- Possess cross-industry operational management experience and excellent leadership skills, possess multi-field management skills and experience, and be able to comprehensively apply best practices.

- He has nearly three years of practical experience in theater management and operation, is well versed in the operating mechanism of the film market, and has a deep understanding of the industry's operating model and market demand.
- In cross-industry entity operations , we have successfully optimized management processes, improved efficiency, reduced costs, and achieved sustained growth and profitability.
- In cinema management and operation , through innovative marketing strategies and service models, we have successfully improved the audience experience, increased customer flow and revenue, and improved market competitiveness.

Wang Jinbiao——Co-founder

- Senior operations management expert in the film and television industry
- Having been deeply involved in the film industry for fifteen years, he has rich investment experience
- Unique market insight, contributing outstanding wisdom to the prosperity and development of the film industry

He Weiming——Co-founder

- Chairman of Anhui Haoyu Brothers Film and Television Culture Communication Co., Ltd.
- Director, producer, producer, screenwriter, actor, singer , has extensive influence in the film and television industry
- He has participated in the TV series "Looking for a Husband", "Love Under the Eaves", "White Rest", "Falling in Love with You Before Sunset" and other works , and has outstanding acting talents.

Zou Shungen——COO

- Responsible for the operation and management of the marketing department and operations department
- Strategic person in charge of digitalization of China Cinemas
- Digitalization of cinemas through technological innovation and strategic deployment

Song Jinghua—— CTO

- Founder of Number Structure, Founder of Arab Numbers

- National Senior System Architect
- Proficient in large-scale project management and MDA business modeling
- Successfully developed more than 2,000 business models
- Assist in the operation of several tens of billions of projects
- Demonstrated excellent project management and technical innovation capabilities.
- Strong mathematical background and outstanding achievements in technical fields .

Zhao Enyi——Dean of the Cultural Center

- Founder of Fuller Space
- Executive Director of the Philanthropic Cultural Institute of Mozi Charitable Foundation , active in public welfare undertakings
- Happiness power coach , spiritual wealth coach , organizational energy coach Good at stimulating team potential

Xie Hebo——Management Consultant

- Former senior partner of McKinsey Greater China
- Senior Vice President of Greenfield Capital
- Director of Peking University Zongheng Listing Research Institute
- Domestic and overseas listing tutors
- Famous corporate strategic planning instructor , famous investment and financing expert , famous business model instructor

Financial Summary

Source of Funds:

So far it is the company's own funds. The company has acquired theaters 12 cinemas, funds have been invested $34 million US dollars (i.e. 240 million Chinese yuan) . Currently, we are continuing to acquire high-quality and low-priced theaters.

Sources	Amount (USD)	Percentage
Owner's Contribution	34 million	100%

Term Loan	0	
New Equity Financing	0	
Total	34 million	100%

1. Business Description

1.1 Mission Statement

Promote the culture of truth, goodness and beauty, create an AI-empowered cinema chain industry, and promote the development of the film ecosystem.

1.2 Values and Vision

Corporate values: Integrity, integrity , rigor, innovation, internationalization, giving back to society

Corporate Vision: Become the number one platform for movie traffic in China and promote the prosperity of the business ecosystem.

1.3 Industry Overview

1.3.1 Main departments

China's movie theater chain industry is huge and covers multiple departments such as theater management, film screening, ticket sales, and theater facility maintenance , including operations, marketing, film procurement, and human resources departments.

1.3.2 Key information on industry markets, demographics and niche areas

- According to Beacon Professional Edition data, as of the end of 2023, there were 12,725 operating theaters in China with 78,036 screens. Among them, there are only about 10 large-scale cinema chain companies in the country, covering more than 2,000 cinemas.
- The total national box office in 2010 was 10.2 billion yuan , and it reached 64.2 billion yuan in 2019 , an increase of 6 times in 9 years .

- the epidemic ends, the total national movie box office in 2023 will reach 54.915 billion yuan , a year-on-year increase of 83.5%, setting a record in the past four years; the cumulative number of movie viewers nationwide is 1.299 billion yuan , a year-on-year increase of 82.56%.

1.3.3 Main players (suppliers, distributors)

- Suppliers: film distribution companies, theater equipment suppliers, ticketing system providers, etc.
- Distributors: cinema chain operators, online ticketing platforms, film distribution companies, etc.

1.3.4 Key and economic trends affecting China’s cinema chain industry

- Digital technology: The application of digital technology in cinema screening and management continues to promote industry upgrading and innovation.
- Consumption upgrade: Consumers have higher requirements for movie-watching experience and service quality, prompting theaters to provide more diversified services and experiences.
- Policies and regulations: The Chinese government has increased its support for the cultural industry, and the policy environment has an important impact on the development of the industry.
- International cooperation: International film and television cooperation and the introduction of transnational films have an important impact on China's cinema chain industry.
- Impact of the epidemic: The impact of the epidemic has accelerated the digital transformation and service upgrade of China’s cinema chain industry . The industry is developing rapidly and needs to adapt to consumption upgrades and technological changes, continuously improve service quality and innovation capabilities, and seize development opportunities.

1.4 Company Description

Shenzhen Huayi Hengzhuo Film Co., Ltd is headquartered in Futian District, Shenzhen. As a cultural high-tech enterprise leading the chain operation of movie theaters , the company takes digital intelligent system technology as its core competitive advantage .

Through its independently developed Qianchengwanying large-scale model, it accurately manages chain movie theater resources and data traffic to achieve efficient operations. The company is committed to building an influential theater chain brand, integrating AI technology and big data intelligence, covering the film industry chain, and bringing innovation and change to the industry. The company will continue to innovate, enhance the movie-watching experience, and contribute to the development of the film industry.

The company has currently acquired 12 movie theaters located in major cities in China, with a total of 139 employees at the headquarters and various theaters. It is planned to acquire 50 cinemas by the end of 2024, expand to 150 in 2025, and reach 500 in 2028. At the same time, through independent research and development of AI technology, it is expected to manage 1,000 franchised cinemas in 2025-2026 and become China's leading cinema chain brand, with the goal of achieving 70% market share.

Why choose to participate in our project?

1.4.1 Cinema assets have huge potential for appreciation

In China, the investment cost of a cinema is approximately RMB 1,000 to 30 million . Before the epidemic, the acquisition price was usually three to four times the total investment in the theater, or three to five times the total annual box office, or ten times the net income as the basic conditions for acquisition . However, under the current circumstances , the minimum price for acquiring a theater has dropped to 20% to 30% of the actual total investment of the theater, which means that the potential asset appreciation space is as high as ten times.

1.4.2 The annual return rate of theaters is extremely attractive

Before the epidemic in China, a cinema with an investment of 20 million yuan had an annual net income of about 5 million yuan, with an annual return rate of 20%-30%. At present, it costs about RMB 7 to 8 million to acquire a movie theater with an annual box office of more than RMB 10 million, with an annual profit of about RMB 5 million and an annual return rate of more than 60%. This shows that the current acquisition of movie theaters has a high return on investment, exceeding 60%, presenting potential investment value-added opportunities.

1.4.3 Theater traffic monetization strategy

We will use the self-developed Qianchengwanying AI large model to upgrade the private traffic membership of all theaters to

Online, and introduce the traffic of all theater chains to the online platform through ticketing services. These traffic will be imported to the cooperative merchant platforms to realize traffic monetization and account sharing, increase non-box office revenue, and promote the diversification of the theater economy and the realization of multiple channels.

1.4.4 Scarcity of cinema projects

The construction of cinemas has special requirements, such as floor height, column spacing, etc. The internal building floor height of the giant screen is 15 meters and the minimum of the ordinary hall is 8 meters. The column spacing needs to be 16 meters. It can usually only be designed in a commercial complex. Shopping mall approvals require planning for cinema projects, but due to the decrease in the number of new commercial complexes, the scarcity of cinema projects has increased. Between 2015 and 2018, 28 funds acquired movie theaters one after another, leading to an investment boom and soaring premiums. Cinemas with an investment cost of 10 to 20 million can also command a premium of 80 to 90 million. Famous cases include Wanda Pictures acquiring 15 cinemas in World Trade Cinemas for 1 billion. These show that cinema projects are uniquely attractive in terms of special requirements and return on investment, and have become one of the focuses pursued by investors.

1.4.5 Cinemas have irreplaceable social attributes.

Cinemas play an important role in social attributes , meeting the social needs of children, families, cultural heritage and young people. In particular, the unique audio-visual effects of movies are unmatched by other places and equipment. An immersive experience for the audience. Cinemas have the right to choose movies, advantages in advertising, and have natural traffic and social attributes.

1.5 History and Current Status

- From 2009 to 2012, Alex Zhang, the founder of the cinema chain project, participated in the investment and production of many films, and actively learned the operation and management of cinema chains . In 2012, it signed contracts with cinema projects in multiple cities and started investment plans ;

- In 2013, three cinemas in Baoji, Ordos, and Handan were opened one after another, laying the foundation for the cinema business.
- In 2015 , it built the first giant screen in China's commercial cinemas, demonstrating its innovative capabilities in technology and facilities.
- From 2016 to 2018, it successively invested in and launched theater projects in Jiangsu, Yunnan, Sichuan and other places, and the number of theaters increased to 8, demonstrating strong market expansion power.
- February 2023 , Shenzhen Huayi Hengzhuo Film Co., Ltd. was established in Shenzhen, officially launching the Chinese cinema chain business, launching an acquisition plan, and successfully acquiring Shenzhen Film International Cinema and China Film Wanyou Cinema. At the same time, the company independently developed the Qianchengwanying AI large-scale model to realize intelligent management and personalized services of the theater.
- In 2024, the company will continue to acquire cinemas and plans to acquire 50 cinemas by the end of the year , and will strengthen research and development and upgrades to increase sales.

1.6 Goals and Objectives

2024: Improve the construction of service system and acquire 50 cinemas with annual revenue exceeding RMB 10 million. Increase sales and profits, strengthen research and development and upgrades, and expand more application scenarios.

2025: Expand the acquisition of theaters to 150. Improve the self-developed AI intelligent system, achieve cooperative management of 1,000 franchised cinemas, and increase the cinema market share to 10%.

2026-2028: Expand the acquisition of cinemas to 500; and through the AI intelligent system, achieve cooperative management of 3,000 franchise cinemas, increasing the cinema market share to 30%. Increase sales and complete listing on Nasdaq.

The company's goal is to increase the number of cooperative theaters year by year and increase its market share to more than 70%.

1.7 Critical Success Factors

1) Determine strategic goals

To acquire 50 cinemas with annual box office revenue exceeding RMB 10 million in 2024 ; from 2025 to 2026, it will expand its acquisition of 150 cinemas and cooperate with 1,000 independent cinemas to achieve a market share of 10 % in China. Over 10 million members.

2) Due Diligence

Screen high-quality cinemas with value and huge potential (theaters with an annual box office of more than 10 million yuan are preferred), and conduct market research and due diligence on potential cinemas for acquisition .

3) Ensure sufficient funds

Raise sufficient capital to acquire the cinema, cover operating costs and necessary renovations and upgrades.

4) Form a professional team

The M&A process involves many fields such as law, finance, and marketing . Establish a professional team, including lawyers, accountants, investment consultants, etc., to ensure the smooth completion of the M&A process.

5) Carry out negotiations

Negotiate with target cinemas on purchase price, payment methods, transition period management, etc., and strive to achieve a win-win situation.

6) Integrate and optimize operations

Integrate and optimize operations of newly acquired cinemas, including unifying brand images, optimizing management systems, and improving operational efficiency. Achieve scale effects and synergy effects and improve overall profitability .

1.8 Company Ownership

Ownership of Company

As of March 12, 2024			
Name	**Title (if Applicable)**	**Number of Shares**	**Percentage**
Cao Yiyuan	Board Member, CEO		40%

Wang Jinbiao	Board Member		30%
Li Tieqiao	Chairman of Board		30%
TOTAL			**100%**

2. Products / Services

2.1 Products / Services Description

The company's main products are four : Huayi chain theaters , Qianchengwanying AI large models, Huayi theater robots , and Huayi scent movies .

1. Huayi Cinema Chain

Huayi Cinema Chain is a well-known cinema chain brand in China, known for its high-quality movie screenings and cinema experience, which continues to attract a large number of audiences. The theater provides comfortable seats, advanced equipment and high-quality services to create a superior viewing environment and screen various types of movies, including Hollywood blockbusters, Chinese movies and independent films, to meet the needs of different audiences. Provide discounts and benefits through membership services, actively promote online and offline integration, and provide convenient digital experiences.

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total		119 people

2. Thousands of cities and thousands of shadows AI large model

Huayi Hengzhuo Cinema Chain uses urban EBLS big data and artificial intelligence AI technology to achieve intelligent cinema management and personalized services. Use AI technology to accurately analyze big data, understand audience preferences, formulate precise marketing strategies and provide personalized services. Optimize the utilization of natural traffic, improve audience attraction and retention rates, enhance the viewing experience, and achieve business growth and user satisfaction. Combine AI technology and community merchant resources to promote intelligent marketing activities and value-added services based on AI recommendations. Optimize community merchant cooperation to achieve more effective cooperation models and resource sharing.

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4. Huayi Scent Movie

Huayi Scent Movie is an innovative form of movie experience. The audience can smell the Scent of the corresponding scene in the picture while watching the movie, thereby improving the user's movie-watching experience. By combining digital scent technology with smart hardware playback devices, precise and synchronous playback of scents in movie scenes is achieved, making the movie richer and more vivid. This new technology provides viewers with an additional sensory experience, making movie viewing more exciting and immersive.

2.2 Unique Features or Proprietary Aspects

• AI intelligent digital cinema chain : Use AI fully intelligent systems to manage cinema chains, achieve natural traffic growth and high efficiency, integrate commercial traffic around the cinema, and inject new impetus.

• Non-ticket income : develop movie derivatives, cultural and creative products, NFT, etc., build a local life platform, expand sales channels, and achieve growth in non-ticket income.

• Advertising revenue potential : Make full use of cinema advertising media resources and cooperate with advertising media resources to maximize advertising revenue.

• Huayi Robot leads the innovation of cinemas : Huayi Robot provides revolutionary on-site services, communicates with movie-watching customers, solves problems, monitors remotely, reduces labor costs, and realizes the vision of AI fully intelligent digital cinema.

• Huayi Scent Movie: Huayi Smell Movie is an innovative form of movie experience. Through the combination of digital smell technology and intelligent hardware playback devices, it realizes the simultaneous playback of smells in movie scenes. This innovation leads the era of the film industry Change, taking smell as one of the important elements of movies and becoming an indispensable part of movie watching.

2.3 Research and Development

The company continues to invest in technology research and development, and continues to innovate and improve. Its main research and development directions include but are not limited to:

• AI technology application: Explore the wider application of AI technology in theater management and service personalization, continue to optimize and upgrade the Qiancheng Wanying AI large model, and improve the level of intelligent management.

• Digital theater experience: Improve the audience's digital experience in the theater, including research and development work on online ticket purchasing systems, personalized recommendation services, unmanned supermarkets, and digital interactive experiences related to movies.

• Robotics technology: Research and develop Huayi Cinema robots, explore the application of robots in more scenarios, improve the level of automated operations, and provide more intelligent cinema services.

- Huayi Scent Movie: develops and develops scent movie digital scent technology that is matched with released movies , and realizes the simultaneous playback of scents in movie scenes.

2.4 Production

List the critical factors in the production of your product or delivery of the service. Specify and explain capital equipment, material, and labor requirements.

2.5 New and Follow-on Products & Services

The company will continue to launch new products and services to meet market needs and improve user experience, including but not limited to:

- Virtual reality theater experience: Develop a theater experience based on virtual reality technology to allow audiences to enjoy an immersive movie-watching experience in the virtual world.
- Intelligent theater management system: A more intelligent and efficient theater management system helps theaters improve operational efficiency and management levels.
- Cinema social platform: Build a cinema social platform to allow audiences to communicate and interact inside and outside the cinema, improving the cinema's social nature and user stickiness.

3. The Market

3.1 Industry Analysis

3.1.1 China's film industry market is huge.

According to Beacon Professional Edition data, as of the end of 2023, there were 12,725 operating theaters across the country . In 2023, the industry concentration in the theater market will increase steadily for seven consecutive years. The annual national film box office is 54.915 billion yuan , of which the box office champion is Wanda Cinema Line , with a total of 9.57 billion yuan, occupying 17.43% of the market share .

According to data from the National Film Administration, as of the end of 2023, the number of county-level theaters in China was 2,784 and the number of township theaters was 2,619, accounting for 19.34% and 18.19% respectively. The gap between urban and rural movie viewing is gradually narrowing, and counties and towns have shown greater consumption vitality , which is expected to grow into a new growth point
for the Chinese film market. China's film industry is in a golden age, with the number of screens, moviegoers and box office continuing to grow. As one of the largest and most dynamic film industries in the world, China's government supports and promotes the development of the film industry through measures such as tax exemptions and equipment investment .

3.1.2 China’s domestic films will earn more revenue .

As Chinese audiences become more exposed to big-budget Hollywood films, China's local film industry has begun to successfully produce blockbusters to satisfy consumer demand. The Chinese film market is expected to become one of the largest theatrical film markets in the world.

3.2 Market Analysis

The epidemic has impacted the cinema industry and provided business opportunities to acquire cinemas.

3.3 Competitor Analysis

Until the end of June 2023,

Main Competitors

Name	Number of Cinemas	Screen	Nature/Type
Wanda Movie	857	7203 screens	National chain
Hengdian Film and Television	503	3154 screens	National chain
Jinyi Film and Television	422	2678 screens	National chain
Chinese film	131	985 screens	National chain
blue ocean of happiness	130	856 screens	National chain

Competitive Advantage and Comparative Evaluation

Competitor advantages:

more theaters and screens, and brand influence.

Competitors' Pricing and Promotional Strategies

- Competitors such as Wanda Movies usually use strategies such as regular promotions, membership systems, and cooperative offers to attract customers, and have flexible pricing strategies to adapt to different regions and audience groups.
- Promotional strategies: holiday discounts, membership day specials, joint cooperation promotions, etc.

Our advantages:

1) Products/Services: Our AI fully intelligent digital cinema chain and robotic technology directly compete with traditional cinemas to improve operational efficiency, reduce costs, and open up new revenue channels.

2) Price and quality: Flexible pricing and promotion strategies to meet different consumer needs and enhance market competitiveness.

3) Business model: It has advantages in the field of intelligent services and value-added experience, and provides non-traditional revenue sources (such as SAAS platform, NFT sales).

4) Innovate marketing strategies and cooperate with many independent film and television companies .

Summary

Through technological innovation, our products and services have brought disruptive changes to the traditional cinema industry, and are particularly good at improving efficiency and opening up new revenue channels. Faced with the strong screen numbers and brand influence of our competitors, we need to redouble our efforts in marketing, brand building and continuous technological innovation. At the same time, we flexibly adjust pricing and promotion strategies to meet different consumer needs and enhance market competitiveness.

4. Marketing & Sales

4.1 Introduction

Target market segment

- Fans of movie watching parties, talk shows, cross talk, and concerts
- Couples, newlyweds
- Square dance aunt and children
- sports fan, football fan
- Employees around commercial office buildings
- Popcorn lovers

Implementation plan and period goals

1 Promote diverse cultural activities

Promote movie viewing parties, talk shows and other activities, with the goal of increasing the theater utilization rate to 10% within six months.

2 Carry out services for couples and newlyweds

around Valentine's Day, it is expected to attract new audience groups and increase the number of moviegoers by 5% within one year.

3 Attract square dancing mothers and children

Movie-watching activities for adults and children are launched during holidays, and the number of viewers is expected to increase by 3% within one year.

4 Providing sports event viewing services

Provide viewing services during important sporting events, and it is expected that the number of spectators will increase by 10% during the World Cup.

5 Attract employees around commercial office buildings

The service is provided during lunch breaks every weekday, and it is expected that the number of lunch break moviegoers will increase by 5% within half a year.

6 Opening a takeaway business

Takeout services will begin in the second quarter of 2024 , and the goal is to have takeout sales account for 10% within one year.

4.2 Market Segmentation Strategy

Children’s Movie Market Strategy

Provide free movie tickets to children in local kindergartens and primary schools on weekend mornings to attract them and their parents to watch movies in the theater.

Market strategy of Auntie Plaza movie for middle-aged and elderly people :

Small and medium-budget movies are screened during the day on non-weekends, focusing on storytelling and ticket prices.

Strategies for urban elites aged 20-50:

Provide services in the evenings and weekend afternoons to increase popularity, sell other products and conduct advertising business.

Valentine’s Day marketing strategy:

Special activities and services are launched on Valentine's Day to attract couples to watch movies and create a romantic atmosphere .

Winter and summer vacation marketing strategies:

Launch special events and screenings during the winter and summer vacations to attract student and family audiences.

4.3 Targeting Strategy

- Daytime during non-weekends: middle-aged and elderly people, freelancers, shift workers, especially square dancing mothers
- Saturday and Sunday morning times: children/students
- Evening, Saturday and Sunday afternoon: urban elites aged 20-50

4.4 Positioning Strategy

In order to position our products relative to our competitors, we will adopt the following strategies:

4.4.1 Differentiated positioning:

We will differentiate ourselves from our competitors by offering unique moviegoing experiences and services. This may include comfortable seating, high-quality acoustics, specialty screenings, and more.

4.4.2 Target market positioning:

We will accurately identify target markets and design customized services and activities based on their needs and preferences. This will help attract specific groups of viewers, increasing their satisfaction and loyalty.

4.4.3 Price positioning strategy:

We will consider our competitors' pricing strategies to ensure our prices are competitive while providing a better service and experience to attract more viewers.

4.4.4 Marketing positioning:

We will enhance brand awareness and appeal through innovative marketing strategies and activities, such as social media promotions, collaborative events, special holiday events, etc.

4.4.5 Service quality positioning:

We will focus on improving service quality, including friendly staff services, clean and comfortable environment, convenient ticket purchasing methods, etc., to ensure that every experience of the audience in the theater is pleasant and unforgettable.

Through the integration and execution of the above strategies, we will be able to establish our position in a highly competitive market, attract more viewers, increase sales, and build lasting audience loyalty, thereby standing out in the industry.

4.5 Product / Service Strategy

4.5.1 Online ticketing platform:

Cooperate with major online ticketing platforms to continuously optimize user experience and ticket purchasing process to improve convenience and reliability.

4.5.2 Douyin movie package sales:

During the promotion process, consider pairing it with special food or drinks in the theater to enhance user experience and appeal.

4.5.3 Membership system:

Continuously optimize members' rights and interests, launch points system, exclusive activities, etc. to increase member loyalty and activity.

4.5.4 Group ticket discount:

In addition to group purchase discounts, customized group viewing packages are provided to provide more choices and value-added services to attract more group consumption.

4.5.5 Social media marketing:

Continuously interact with consumers, provide interesting content and interactive activities, and increase fan participation and influence.

4.5.6 Diversified advertising strategies:

Consider cooperating with well-known local brands to launch customized advertising programs to increase the exposure and effectiveness of advertising.

4.5.7 Event Marketing:

Innovative event planning, combining theater features and popular movie elements to create a unique event experience and enhance brand awareness and attraction.

4.5.8 Integration of different industries among business districts:

will continue to look for cooperation opportunities with surrounding merchants and create more cross-border cooperation activities to jointly enhance the vitality and attractiveness of the business district.

4.5.9 Diversified business development:

We will continue to launch innovative businesses, such as movie viewing parties, concerts, etc., to continuously enrich the activity content and service forms of cinemas and attract different types of audience groups.

4.6 Pricing Strategy

- Differentiated pricing: To meet the needs of different audiences , set different ticket prices , such as student tickets, senior tickets, and group tickets .
- Package discounts: Various packages, such as family packages and couple packages, attract more consumers.
- Member price discount: Set special member discount price to increase member loyalty
- Seasonal pricing: Adjust fares and launch special offers based on seasons or holidays.
- Event promotions: Regularly hold promotions to increase sales and appeal. Such as anniversary, holiday specials, etc.
- Flexible pricing strategy: Adjust pricing strategy based on market feedback and competition. Develop multi-tier fares .
- Value Pricing: Ensure fares match service value and build reputation and loyalty.

4.7 Distribution Channels

4.7.1 Online platform : It has wide coverage, convenient transactions, and good publicity effect. It is suitable for young consumer groups who pursue convenient ticket purchase and preferential information.

- Main channels : online ticketing platforms such as Dianping, Meituan, WeChat, Maoyan, and Taopiaopiao, as well as social media platforms such as Douyin.
- Strategy : Leverage the user base and market power of these platforms to sell movie tickets and special packages. Utilize social media platforms for promotion and sales to increase theater visibility and appeal.

4.7.2 Membership system : Deeply bind customers, provide additional value to promote repurchase, and collect data for market analysis and marketing activities.

- Main channel : Cinema's own membership system.
- Strategy : The membership system provides benefits such as preferential fares, points accumulation, and member-exclusive activities to increase customer loyalty and return rates.

4.7.3 Experiential marketing and activities : Enhance consumers' awareness and favorability of the brand and improve brand loyalty.

- Main channels : Cinemas hold various activities on-site, including movie screenings, concerts, World Cup viewing services, lunch break services, etc.
- Strategy : Attract different consumer groups through various events, increase theater utilization, and sell other products such as popcorn and drinks through these events.

4.7.4 Cross-border cooperation and marketing : resource sharing, joint marketing, creating win-win market opportunities and attracting more consumers.

- Main channels : Cooperation with other merchants or brands, such as catering and retail in business districts.
- Strategy : Launch joint promotions, coupons, product experiences, etc. through cooperation, share resources and customer base, and expand market influence.

4.7.5 Takeaway service : broaden sales channels and create additional income

- Main channels : food delivery platforms such as Meituan, Ele.me, etc.

- Strategy : Take away the theater’s specialty products (such as popcorn) and take advantage of the takeout platform’s users and delivery services.

4.8 Promotion and Advertising Strategy

4.8.1. Multi-channel online advertising

Advertisements are placed on social media platforms (such as Weibo, WeChat, Douyin, Xiaohongshu, etc.), search engine advertisements (such as Baidu, Google) and partner platforms (such as Dianping, Meituan, Maoyan, Taopiaopiao, etc.) .

4.8.2.Content Marketing

Publish high-quality content on social media and the company's official website, including movie recommendations, behind-the-scenes footage, theme event previews, user experience sharing, etc.

4.8.3. Promotions and Coupons

Organize promotions such as limited-time discounts, buy one get one free, member-only offers, holiday specials, etc. Distribute coupon codes through online platforms and social media.

4.8.4.Cooperative marketing

Cooperate with other brands or businesses to conduct cross-border marketing activities, such as jointly organizing events, jointly promoting products or services, exchanging advertising space, etc.

4.8.5. Offline activities

Organize offline activities, such as movie viewing parties, celebrity meetings, theme parties, etc., and invite target customer groups to participate.

4.8.6 . PR and media exposure

Use press releases, media interviews and cooperative reports to gain exposure in traditional and new media, improve brand image and trust, and increase visibility. Communicate your brand story and capture the attention of potential customers.

4.9 Sales Strategy

For the traditional movie theater business, we will work closely with online ticketing platforms such as Dianping, Meituan, WeChat, TikTok, Maoyan, and Taopiaopiao to achieve multi-channel movie ticket sales to cover a wider range of potential customer groups.

For newly expanded businesses, we will actively promote cinemas, specialty products and high-quality services through Douyin and short video platforms to enhance brand awareness and customer participation in innovative ways.

Based on the aforementioned marketing and sales plan, our sales strategy will focus on three aspects: multi-channel distribution to expand market share, optimizing customer experience to enhance brand loyalty, and providing value-added services to meet the diverse needs of customers.

Through these strategies, we are committed to ensuring that our products and services can accurately reach and meet the expectations of different customer groups, thereby standing out in the fierce market competition.

The following is the specific sales strategy and its implementation plan:

4.9.1. Multi-channel distribution strategy

- Online sales: Use e-commerce platforms (such as Maoyan, Taopiaopiao, etc.) and social media platforms (such as WeChat, Douyin) to sell movie tickets and related packages. These platforms can cover a wide range of target customers and provide a convenient ticket purchasing experience.
- Offline sales: Provide ticket sales services at the cinema site, targeting non-online user groups and immediate ticket purchase needs. In addition, offline activities and experiential marketing are held to attract customers to the store.
- Cooperative distribution: Cooperate with other merchants in the business district, such as catering, retail, etc., to distribute movie tickets or promote special packages through them to expand sales channels and reach more potential customers.

4.9.2. Customer experience optimization

- Diversified services: Provide a variety of movie-watching experiences, such as private viewing rooms, themed movie-watching activities, etc., to meet the personalized needs of different customers.
- Improved convenience: Provide convenient services such as seat selection, quick ticket purchase, and self-service ticket collection through online platforms to reduce customer waiting time and enhance the overall shopping experience.

- Customer care: Implement a membership system to provide members with privileges such as birthday discounts, points redemption, and member-only events to increase customer stickiness and loyalty.

4.9.3. Value-added services and products

- Takeaway service: Sell the theater's special food (such as popcorn, drinks) through the takeout platform to meet the needs of customers watching movies at home and expand sales channels.
- Co-branded products: Cooperate with other brands to launch co-branded products or limited edition products, such as movie-themed peripherals, specialty catering, etc., to increase the added value and appeal of the products.
- Corporate and group services: Provide services such as group ticketing, corporate benefit customization, and private event booking to meet the specific needs of corporate and group customers.

4.9.4. Marketing and Promotional Activities

- Regular promotions: Attract customers to spend through holiday promotions, limited-time discounts, purchase and gift activities, etc.
- Interactive marketing: Use social media to hold interactive competitions, movie viewing experience sharing and other activities to increase customer participation and brand awareness.
- Cooperative marketing: Cooperate with film and television companies, celebrities, etc. to hold premieres, meet-and-greets and other events to increase the theater's market appeal.

4.9.5 Implementation location and method

- Implementation locations: Sales and distribution will occur simultaneously on online platforms and at physical locations in theaters, while expanding sales through partner locations.
- Implementation method: Achieve a seamless ticket purchasing experience by integrating online and offline resources; use data analysis to optimize inventory management and pricing strategies; enhance communication and interaction with customers, and collect feedback to optimize services

4.10 Sales Forecasts

	2024	**2025**	**2026**
income	310,509,775.86	1,210,988,125.85	4,504,875,828.16
cost of sales	100,915,677.15	375,406,319.01	1,441,560,265.01
gross profit	209,594,098.71	835,581,806.84	3,063,315,563.15
Total cost	149,044,692.41	581,274,300.41	2,162,340,397.52
Pre-tax income	60,549,406.29	254,307,506.43	900,975,165.63
Less: Income tax	25,765.70	128,828.50	644,142.50
net income	60,523,640.59	254,178,677.93	900,331,023.13

5. Development

5.1 Development Strategy

The development strategy of cinema companies needs to combine multiple factors such as market demand, competitive environment, technological innovation, brand building, diversified revenue sources, cost control, regulations and policies. Combining these factors, a targeted development strategy can be formulated for successful implementation and long-term development.

5.1.1 Market demand and trends

Pay close attention to audience needs and market trends , and understand audience preferences for movie types, screening times, ticket prices, viewing environment, etc.

Adjust screening strategies according to market demand, optimize services, and improve movie viewing experience.

5.1.2 Competitive environment analysis

Analyze competitors' strengths and weaknesses, market shares and business strategies, and formulate differentiated competitive strategies. Differentiate yourself from your competitors by providing a unique movie-watching experience and adding additional services.

5.1.3 Technological innovation and upgrading

Pay attention to innovation and upgrades in projection technology, audio equipment, seat comfort, etc. Introducing advanced technology and equipment to improve viewing quality and attract more viewers.

5.1.4 Brand building and maintenance

Brand is an important asset of a cinema. It can shape and enhance its brand image through high-quality services, good reputation and marketing activities. Pay attention to customer experience, handle complaints and feedback in a timely manner , and maintain brand reputation.

5.1.5 Diversified income sources

Develop diversified revenue sources, such as catering, derivatives sales, advertising cooperation, etc., to improve profitability , increase revenue , and enhance the audience's movie-watching experience.

5.1.6 Cost control and operational efficiency

Optimize procurement, reduce energy consumption, improve operational efficiency, reduce operating costs, and improve profitability.

5.1.7 Regulations, policies and compliance

Comply with laws and regulations, ensure business compliance , pay attention to policy changes, and adjust business strategies to adapt to market demand and policy changes.

5.2 Development Timeline

Market demand and trend analysis

Launched : 2024

Duration : 2-3 years ongoing, with comprehensive analysis conducted quarterly

Key milestone: Complete market research to understand audience needs and industry trends

Analyze competitors and grasp the market structure

Track trends in new technologies, including artificial intelligence, virtual reality, machine learning, and more

Assess the impact and application prospects of these technologies on the cinema industry

Analyze and monitor audience behavior patterns inside and outside theaters

Adjust product and service strategies based on data analysis to improve user experience

- Technological innovation and upgrading

Startup date : 2024

Duration : short to medium term (1-3 years), adjusted based on technology development and funding availability

Key milestone: Determine the functional requirements and service scope of Huayi Cinema Robot

Design robot appearance, interactive interface and technical architecture

Develop artificial intelligence algorithms and speech recognition systems for robots

Carry out robot hardware manufacturing and software integration

Conduct internal testing and user experience optimization

Launch and promote Huayi Cinema Robot Service to theater audiences.

- Diversify income sources

Launch date : 2025

Duration : medium to long term (2-5 years), adjusted based on market reaction and profitability

Key milestones: Research new revenue channels, including but not limited to advertising partnerships, sponsored events, special events, etc.

Identify potential new businesses or services

Conduct market research and business plan development

Launch new business or services and conduct marketing promotions

Implement new business or service launches every two years

Flexibly adjust marketing strategies and business models based on market feedback and data analysis

Enhance brand image and awareness through brand building and marketing activities

5.3 Development Expenses

• Market demand and trend analysis

☐Launch date: 2023

☐Duration : 2-3 years ongoing, with comprehensive analysis conducted quarterly

☐Key milestones :

1. Detailed market research to understand the needs and preferences of the audience
2. Analyze the situation of competitors and grasp the market structure
3. Forecast development trends in the next 3-5 years
4. Formulate company development strategy and business plan
5. Determine future development directions to respond to market changes and demand trends

• Technological innovation and upgrading

☐Launch date : 2023

☐Duration : short to medium term (1-3 years), adjusted based on technology development and funding availability

☐Key milestones :

1. Develop and promote intelligent theater management systems to improve operational efficiency
2. Integrate data analysis and prediction functions to optimize theater operations and management
3. Continuously upgrade system functions to adapt to industry development and changing needs
4. Develop and launch a cinema social platform to provide audiences with a space for communication and interaction

5. Cultivate a community of movie fans and increase user stickiness and interactivity
6. Continuously upgrade social platform functions to enhance user engagement and experience
7. Promote the upgrade of digital cinema experience, including digital film arrangement, online seat selection and other services
8. Introduce new technologies, such as AR (Augmented Reality) and VR (Virtual Reality) , to enhance the viewing experience
9. Continuously improve digital solutions to provide more convenient and high-quality cinema services

• Diversify income sources

□Launch date : 2024

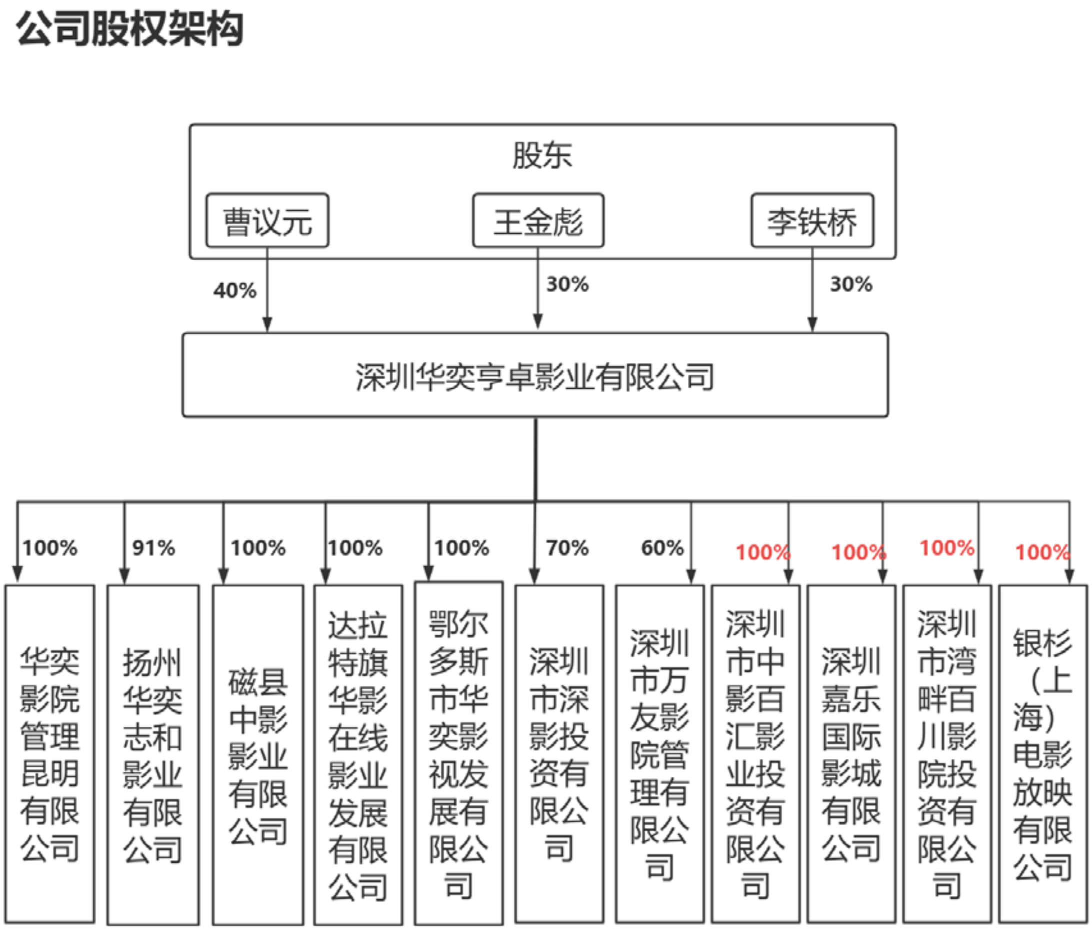
□Duration : medium to long term (2-5 years), adjusted based on market reaction and profitability

□Key milestones :

1. Develop and design movie-related derivatives, such as peripheral goods, clothing, etc.
2. Establish sales channels, including online platforms and physical theater stores
3. Design and launch various theme activities, such as movie viewing parties, celebrity meetings, etc.
4. Provide special experiences, such as discussions, lectures, etc. after specific film screenings
5. Carry out cooperation with film and television companies and brands and launch joint marketing activities
6. Jointly organize activities, competitions, etc. to increase brand exposure and appeal
7. Look for cross-border cooperation opportunities, develop new partners, and increase revenue sources .

6. Management

6.1 Company Organization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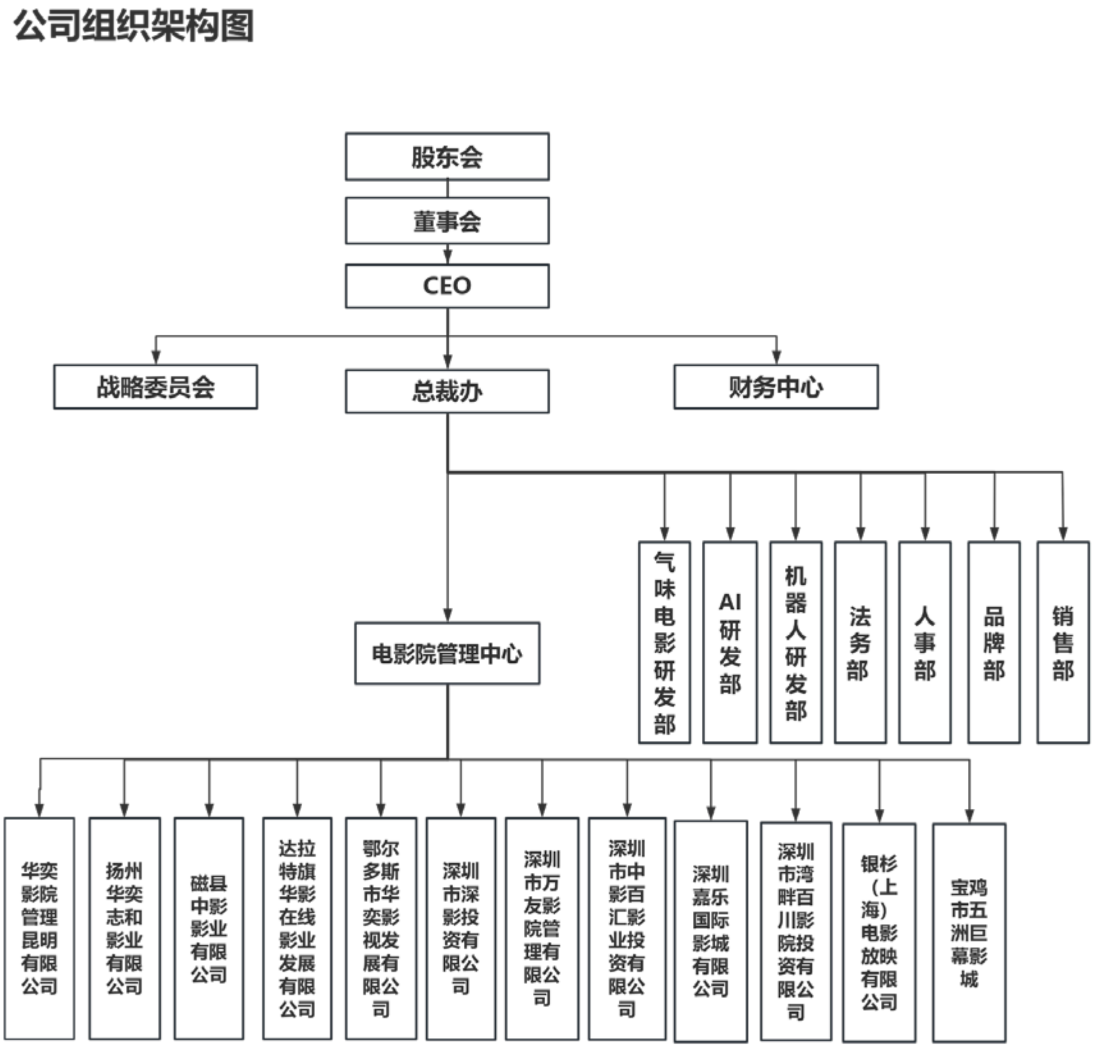
磁县中影影业有限公司
达拉特旗华影在线影业发展有限公司
鄂尔多斯市华奕影视发展有限公司
深圳市深影投资有限公司
深圳市万友影院管理有限公司
深圳市中影百汇影业投资有限公司
深圳嘉乐国际影城有限公司
深圳市湾畔百川影院投资有限公司
银杉（上海）电影放映有限公司

6.2 Management Team

Name	Position	Age
Cao Yiyuan	CEO	32
Qin Qianjin	CFO	61
Zou Shungen	COO, Director of Operations	50

Song Jinghua	CTO	39
Yi Wanqing	Corporate Attorney	28

6.3 Management Structure and Style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股东会
董事会
CEO
战略委员会
总裁办
财务中心
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AI研发部
机器人研发部
法务部
人事部
品牌部
销售部
电影院管理中心
华奕影院管理昆明有限公司
扬州华奕志和影业有限公司
磁县中影影业有限公司
达拉特旗华影在线影业发展有限公司
鄂尔多斯市华奕影视发展有限公司
深圳市深影投资有限公司
深圳市万友影院管理有限公司
深圳市中影百汇影业投资有限公司
深圳嘉乐国际影城有限公司
深圳市湾畔百川影院投资有限公司
银杉（上海）电影放映有限公司
宝鸡市五洲巨幕影城

6.4 Ownership

As of March 12, 2024

Name	Title (if Applicable)	Number of Shares	Percentage
Cao Yiyuan	Board Member, CEO		40%
Wang Jinbiao	Board Member		30%
Li Tieqiao	Chairman of Board		30%
	TOTAL		**100%**

6.5 Board of Directors

Name	Position	Background
Li Tieqiao	Board Chairman	• Twenty years of experience in the film industry • Served as general manager of large enterprises such as private enterprises and state-owned enterprises • Corporate strategic marketing expert with rich corporate operation management experience
Cao Yiyuan	Board Member	• More than ten years of experience in cross-industry entity operations • Has nearly three years of cinema management and operation experience
Wang Jinbiao	Board Member	• Senior operations management expert in the film and television industry • 15 years of experience in the film industry and rich investment experience

7. Operations

7.1 Operations Strategy

Operations Strategy of a cinema is the key to its long-term stable development, improving the movie-watching experience, attracting audiences and increasing revenue.

7.1.1 Market positioning and site selection

Clarify the market positioning of the cinema, such as whether it is for family audiences, young people or audience groups with specific hobbies. Choose a suitable geographical location based on market positioning to ensure there are enough potential audiences around the theater.

7.1.2 Provide high-quality movie viewing experience

Ensure that theater facilities are advanced and comfortable, including clear pictures, stunning sound effects, comfortable seats and spacious viewing space. At the same time, high-quality food and beverage services are provided to meet the diverse needs of audiences during the movie viewing process.

7.1.3 Enrich film selection and film arrangement strategies

Reasonably arrange film screening plans based on market demand and audience preferences. Pay attention to the diversity of films, including domestic and foreign films, films of different types and themes, to attract a wider audience.

7.1.4 Strengthen marketing and publicity

Use multiple channels for marketing and promotion of cinemas, including online platforms (such as social media, movie ticketing websites, etc.) and offline channels (such as outdoor advertising, leaflet distribution, etc.). Attract audiences through preferential activities, membership systems, joint marketing, etc., and increase the theater's visibility and influence.

7.1.5 Provide personalized services

Use internal data analysis to develop personalized recommendation algorithms to provide personalized services based on the needs and preferences of the audience, such as customized movie recommendations, special theme movie viewing activities, member-exclusive benefits, etc. Enhance the audience's loyalty to the theater and improve the movie-watching experience.

7.1.6 Strengthen cooperation and alliances

Establish cooperative relationships with producers, distributors, and other entertainment venues to jointly promote film culture and enhance the brand influence of theaters. At the same time, we cooperate with surrounding merchants to launch joint discount activities to attract more audiences to watch the movie.

7.1.7 Optimize operation management

By optimizing internal management processes, improving employee quality and service levels, we can reduce operating costs and improve operating efficiency. At the same time, we pay attention to market changes and promptly adjust our business strategies to adapt to changing market demands.

7.3 Ongoing Operations

To ensure the company's continued operation and development, the company will :

- Regularly evaluate and adjust operational strategies to ensure consistency with market needs and trends.
- Continue to invest in technology and innovation to maintain competitive advantage and improve customer satisfaction.
- Strengthen brand building and maintain brand image through high-quality services and positive customer interaction.
- Optimize cost structure and improve operational efficiency to ensure business sustainability and profitability.
- Optimize customer needs and experience
- Develop diversified revenue streams
- Strengthen customer relationships and membership systems
- Pay attention to changes in regulations and policies to ensure the legality and compliance of all business activities.

7.4 Location

The company already owns 12 movie theaters and the location is as follows:

Theater name	**Location**
Huayi Cinema Management Kunming Co., Ltd.	Kunming
Yangzhou Huayi Zhihe Film Co., Ltd.	Yangzhou
Cixian China Film Co., Ltd.	Ci County
Dalat Banner Huaying Online Film Development Co., Ltd.	Ordos
Ordos Huayi Film and Television Development Co., Ltd.	Ordos
Shenzhen Shenying Investment Co., Ltd.	Shenzhen

Shenzhen Wanyou Cinema Management Co., Ltd.	Shenzhen
Shenzhen China Film Parkway Film Investment Co., Ltd.	Shenzhen
Shenzhen Jiale International Cinema Co., Ltd.	Shenzhen
Shenzhen Bayan Baichuan Cinema Investment Co., Ltd.	Shenzhen
Yinshan (Shanghai) Film Projection Co., Ltd.	Shanghai
Baoji Wuzhou Giant Screen Cinema	Shanxi

7.5 Personnel

The company headquarters and various movie theaters currently have 139 employees, covering multiple functional departments .

The company has a team of high-quality and professional employees. Through systematic training and reasonable salaries, it continuously improves the overall quality of employees and provides audiences with an excellent movie-watching experience.

Labor quality: strong professional skills, high service awareness, and tacit teamwork.

Training: Onboarding training, including culture, processes, standards, etc.; regular skill improvement and service awareness strengthening training; regular organization of team building activities.

Salary structure: basic salary, performance bonus, year-end bonus linked to company profits and personal performance, employee benefits such as five insurances and one fund, paid annual leave and holiday benefits, etc.

7.8 Legal Environment

The cinema business operates in China's legal environment , involving multiple legal elements such as licenses, trademarks, copyrights, patents, etc. It is necessary to ensure that operations are legal and compliant, including necessary licenses and authorizations, to protect brands, technologies and original content, and to comply with consumer rights and data protection regulations. wait .

1 . Licenses and Permissions

- Film projection license : Cinemas showing movies need to obtain a film projection license, which is issued by the State Administration of Radio, Film and Television or the local culture, radio, film and television bureau. This is a fundamental license for cinemas to operate.

- Food business license : To provide food sales services in a cinema, you need to apply for a food business license .
- Business license : As a business entity, cinemas need to apply for a business license from the industrial and commercial administration department .

2. Trademarks

- Trademark registration : The cinema’s brand name, LOGO, etc. are trademarked and obtained legal protection.

3. Copyright

- Movie copyright : Movies shown in cinemas must ensure that they have obtained the corresponding copyright or screening rights to avoid infringing copyright laws. Exhibition authorization is usually obtained through a contract with the film's distributor or producer.
- Original content copyright : The cinema's self-produced promotional materials, original video content, etc. are protected by copyright law and may not be used by others without permission.

4. Patents

- Technology patents : Some special technologies used in cinemas (such as projection technology, sound technology) may involve patents. When using them, you need to ensure that they do not infringe the patent rights of others, or that you have obtained authorization for use.
- Independent research and development patents : New technologies or equipment independently developed by movie theaters can apply for patents and obtain legal protection to prevent infringement and use by others.

5. Other legal elements

- Data protection and privacy : When processing customer information, you must comply with relevant data protection laws and regulations to protect customer privacy.
- Consumer rights protection : Comply with the Consumer Rights Protection Law to ensure that consumer rights are not infringed.
- Contract law : Contracts signed with suppliers, film distributors, employees, etc. must comply with the relevant provisions of contract law to protect the rights and interests of both parties.

9.2 Capital Requirements

• Operating expenses: mainly include labor costs, technical investment, marketing expenses, etc.

• Capital requirements: Sufficient funds are needed to support the implementation of the above plan, including investment in capital chain stability, digital transformation, human resource incentives, etc.

The company needs $50 million US dollars to expand its business , the funds will be used as follows:

Usage of funds	Amount (USD $)	percentage
Capital to acquire theaters	25 million	50%
Technology research and development expenses	10 million	20%
operating expenses	5 million	10%
Sales and Marketing	7.5 million	15%
Administrative costs	1.5 million	3%
other	1 million	2%
Total	**50 million**	**100%**

9.3 Risk/Opportunity

The company identifies and assesses the key risks it may face and develops corresponding measures to reduce the impact of these risks.

9.3.1 Product/service competition

• Film content: Cinema competition is reflected in the content of films shown , with popular films and exclusive premiere rights attracting large audiences .

• Movie-watching experience: Including seat comfort, sound effects, picture quality, environmental atmosphere, etc. , high-quality movie-watching experience can attract audiences and increase repeat customers.

• Additional services: such as catering, parking spaces, waiting area facilities, etc. Provide convenient services to improve audience satisfaction and increase non-ticket income.

9.3.2 Marketing strategy competition

- Brand positioning: Each cinema has a different brand positioning , such as luxury, family-friendly, young and fashionable, etc. A clear brand positioning helps attract your target audience.
- Marketing and Publicity: Effective marketing and publicity strategies are essential to engage your audience , including online and offline advertising, social media marketing, collaborative promotions, and more.
- Customer Relationship Management: Building good customer relationships is key to staying competitive. Enhance customer loyalty and satisfaction through membership systems, preferential activities and customer feedback mechanisms.

9.3.3 Business model competition

- Diversified income sources: Increase non-ticket income through derivative sales, venue rental, advertising, etc. Developing diversified business models can help improve overall profitability.
- Technological innovation: Advanced projection technology, online ticket purchasing systems, intelligent management, etc. can improve the operational efficiency and service quality of cinemas, thereby gaining an advantage in the competition.

9.3.4 Competition for specific attributes

- Price: Attract more viewers through a reasonable pricing strategy that balances customer needs and profit levels.
- Quality: Provide high-quality products and services , including film quality, screening quality and service quality , to win the trust and loyalty of audiences .
- Function: Provide convenient and diverse functions , such as online ticket purchase, self-service ticket collection, barrier-free facilities, etc. , to meet the needs of different audiences and enhance competitiveness .

9.4 Valuation of Business

The company currently owns 12 theaters and has invested US$34 million (i.e. 240 million Chineseyuan) in shareholders' own funds .

9.5 Exit Strategy

Listing exit strategy is an important way for investors , especially VCs and PEs, to achieve investment returns through listing . Companies go public on the U.S. stock market, allowing founders and investors to realize investment returns by selling their shares in the public market , and obtain higher valuations and liquidity in the public market. Going public is not only a way to raise capital, but also provides a liquidity path for initial shareholders to convert private shares into more liquid shares. A successful IPO requires a focus on transparency, corporate governance, financial health and continued performance growth.

10. Implementation

10.1 Year 1 **- 2024**

Goal 1 : Acquire and acquire 50 movie theaters in 2024
Goal 2 : Increase sales and profits
Goal 3: Improve the construction of service system
Goal 4: Strengthen technology research and development and upgrade to expand more application scenarios.
Goal 5:

10.2 Subsequent years

2025

Goal 1: Acquire a total of 150 movie theaters
Goal 2: Improve the AI intelligent system and achieve franchise cooperation with 1,000 movie theaters
Goal 3: Increase theater market share to exceed 10% market share.

2026

Goal 1: Expand the number of theater chains and acquire 300 cinemas
Goal 2: Improve the AI intelligent system and achieve franchise cooperation with 3,000 movie theaters
Goal 3: Increase theater market share to exceed 30% market share.
Goal 4: Increase sales and achieve NASDAQ listing by the end of the year

10.3 Contingency plan

Explain the contingency measures in case of the plans going astray for internal or external reasons.

- Risk Countermeasures and Contingency Plans

The company has established risk response and contingency plans, including risk transfer, avoidance, mitigation and acceptance measures. Regularly assess critical business process and system risks , design contingency plans to deal with potential disruptions, and ensure data backup, supply chain alternatives, and employee training. Key personnel are aware of these plans, rehearse them regularly and keep track of them .

- Establish a comprehensive risk control system

The company has established a comprehensive risk control system to provide management with real-time data to support decision-making. The risk management team regularly reports risk status to the management and the board of directors, proposes improvement measures to ensure that risks are controllable, and flexibly adjusts strategies .

About SportsQuest, Inc.:

Sports and entertainment hospitality company. In the USA the Company developed and maintains a franchise portal for both front and back-office end users. The Company is in the process of amalgamation with a Mainland China-based theater (cinema) operator with a chain of corporately owned and franchised locations. China-based targeted Business: Shenzhen Huayi Excellent Cinemas Co., Ltd. (Huayi) Huayi is a cultural and high-tech enterprise that leads the operation of cinema chains, with advanced AI system technology at the core. We accurately manage the resources and data traffic of chain cinemas through the self-developed mega-model in many mainland China Cities and Cinemas. We shape a uniquely influential cinema chain brand, integrating advanced AI technology and Big Data intelligence, extending from the industry chain cinema business to the intelligent management of cinema data traffic, comprehensively covering the film industry chain, bringing unique innovation and transformative power to the industry.

Disclosure:

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