
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in YH Entertainment Group, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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乐华娱乐
YUE HUA
ENTERTAINMENT

YH Entertainment Group 乐华娱乐集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2306)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF PROPERTY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of YH Entertainment Group (the “**Company**”) is set out on pages 4 to 12 of this circular. A notice convening an EGM of the Company to be held at Room 150, Building 119, No. 27 West Dawang Road, Chaoyang District, Beijing, PRC at 2:00 p.m. on Monday, September 11, 2023 is set out on pages EGM-1 to EGM-2 of this circular. The proxy form for use at the aforesaid general meeting is enclosed with this circular. Such proxy form is also published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon and deposit the same at the offices of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 2:00 p.m. on Saturday, September 9, 2023) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Capitalized terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

August 22, 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

“Acquisition”	the acquisition of the Property subject to the terms and conditions of the Sale and Purchase Agreement
“Articles of Association”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“Board”	the board of Directors of the Company
“Company”	YH Entertainment Group (乐华娱乐集团), an exempted company incorporated in Cayman Islands with limited liability on June 10, 2021, the shares of which are listed on the Stock Exchange (stock code: 2306)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company
“Escrow Account”	an escrow account maintained and operated in accordance with the Escrow Agreement
“Escrow Agreement”	an escrow agreement entered into among the Purchasers, the Vendor and a designated bank dated June 30, 2023 for the purpose of holding the consideration payable by the Purchasers to the Vendor for the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offering”	has the meaning ascribed to it in the Prospectus
“Hong Kong Underwriting Agreement”	has the meaning ascribed to it in the Prospectus
“Independent Third Parties”	third parties independent of the Company and its connected persons
“Latest Practicable Date”	August 14, 2023, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOU”	the memorandum of understanding in relation to the proposed Acquisition dated June 27, 2023, further details of which are described in the announcement of the Company dated June 27, 2023
“Offer Shares”	has the meaning ascribed to it in the Prospectus
“Online Filing Contracts”	the standard contracts required to be filed through the online real estate transaction filing system operated by Beijing Municipal Commission Of Housing And Urban-Rural Development (北京市住房和城鄉建設委員會) for registration of real estate transactions
“PRC” or “China”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular only)
“Property”	the property located at Portion of FUTURE CENTER Block B (華樾中心B座), Building One, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區創遠路28號院1號樓)
“Prospectus”	the prospectus of the Company published on December 30, 2022
“Purchasers”	Tianjin Yuehua and Yuehua Limited, as the co-purchaser and co-owner of the Property upon the completion of the Acquisition
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Vendor and the Purchasers in respect of the Acquisition
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0001 each
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tianjin Yuehua”	Tianjin Yuehua Music and Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司), a limited liability company established in the PRC on August 1, 2011 and a wholly-owned subsidiary of Yuehua Limited
“US\$”	United States dollars, the lawful currency for the time being of the United States
“Vendor” or “Beijing Jinkai Liantai”	Beijing Jinkai Liantai Real Estate Development Co., Ltd. (北京金開連泰房地產開發有限公司), a company incorporated in the PRC with limited liability
“Yuehua Limited”	YueHua Entertainment Co., Ltd. (北京樂華圓娛文化傳播有限公司), a limited liability company established in the PRC on July 3, 2009 and a wholly-owned subsidiary of the Company
“%”	per cent

LETTER FROM THE BOARD



乐华娱乐
YUE HUA
ENTERTAINMENT

YH Entertainment Group
乐华娱乐集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2306)

Board of Directors:

Executive Directors:

Ms. DU Hua (*Chairlady of the Board*)

Mr. SUN Yiding

Mr. SUN Le

Non-executive Directors:

Ms. YAO Lu

Mr. MENG Jun

Independent Non-executive Directors:

Mr. FAN Hui

Mr. LU Tao

Mr. HUANG Jiuling

Registered Office:

PO Box 309, Umland House

Grand Cayman KY1-1104

Cayman Islands

Headquarters and Principal Place of

Business in the PRC:

Room 150, Building 119

No. 27 West Dawang Road

Chaoyang District, Beijing

PRC

Principal Place of Business

in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

August 22, 2023

To the Shareholders,

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO ACQUISITION OF PROPERTY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

References are made to the announcements of the Company dated June 27, 2023 and July 24, 2023.

On July 24, 2023, the Sale and Purchase Agreement was entered into among the Purchasers (Yuehua Limited and Tianjin Yuehua, each a wholly-owned subsidiary of the Company) and the Vendor in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, further details of the Acquisition and other information required under the Listing Rules as well as a notice of the EGM.

THE ACQUISITION

References are made to the announcement of the Company dated June 27, 2023 in relation to the proposed Acquisition, and the announcement of the Company dated July 24, 2023 in relation to the Acquisition.

The Board is pleased to announce that, on July 24, 2023, the Sale and Purchase Agreement was entered into among the Purchasers (Yuehua Limited and Tianjin Yuehua, each a wholly-owned subsidiary of the Company) and the Vendor in relation to the Acquisition.

The principal terms of the Sale and Purchase Agreement are summarized below:

- Date of the Sale and Purchase Agreement : July 24, 2023
- Parties : (1) Yuehua Limited and Tianjin Yuehua, as the Purchasers; and
(2) Beijing Jinkai Liantai, as the Vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

- Property to be acquired : Portion of FUTURE CENTER Block B (華樾中心B座), Building One, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區創遠路28號院1號樓) with a total gross floor area of approximately 10,575.42 square meters (including the above-ground and underground spaces) and 53 parking lots at the basement of the Property. The Property is owned by the Vendor and is designated for commercial, office and underground garage uses.

LETTER FROM THE BOARD

Consideration and basis of determination of consideration : The total consideration for the Acquisition is RMB480,000,000. Such consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to, among others, the property valuation of the Property of approximately RMB480.1 million as of June 30, 2023. Details of the property valuation of the Property is set out in the Appendix III to this circular.

The Directors (including the independent non-executive Directors) consider the consideration of the Acquisition to be fair and reasonable and on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

The valuation of the Property was carried out by Colliers Appraisal and Advisory Services Co., Ltd., an independent valuer to the Company (the “**Valuer**”). The valuation of the Property was prepared by the Valuer by adopting the market approach assuming sale of property interests in their existing state and by making reference to comparable sale transactions as available in the relevant market.

It is intended that the consideration be funded by a combination of bank borrowings and the Company's internal resources of approximately RMB280 million. The Company is in the process of obtaining bank borrowings that amounts to approximately RMB200 million. The Company's internal resources to be utilized for the Acquisition include (i) the Company's internal funds of approximately RMB115.6 million, and (ii) the portion of net proceeds from the Company's global offering which were allocated to the purchase and renovation of an artist training center of approximately HKD179.3 million (equivalent to approximately RMB164.4 million calculated with reference to the medium exchange rate published by the People's Bank of China on the Latest Practicable Date), as disclosed in the Prospectus. For more details regarding the utilization of such proceeds, please refer to the section headed “Use of Proceeds” below.

LETTER FROM THE BOARD

Conditions precedent : Completion of the Acquisition is conditional upon the followings:

- (1) each of the Purchasers and the Vendor, or their respective authorized signatory, having executed the Sale and Purchase Agreement;
- (2) each of the Purchasers and the Vendor having completed all necessary internal approval procedures, including but not limited to, passing by the Board and by the Shareholders of the necessary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (3) all consents, approvals and notices required under the applicable laws and regulations and/or the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange (the “**Conditions**”).

Payment arrangement : The consideration shall be settled in the following manner:

- (1) RMB144,000,000, being 30% of the total consideration (the “**Earnest Money**”), which had already been paid into the Escrow Account on July 3, 2023 upon signing of the MOU, shall be released from the Escrow Account and applied towards the payment of the total consideration within five (5) business days upon fulfillment of the Conditions contained in the Sale and Purchase Agreement and upon signing of the Online Filing Contracts.
- (2) RMB96,000,000, being 20% of the total consideration, shall be paid by the Purchasers directly to the Vendor within seven (7) business days upon fulfillment of the Conditions contained in the Sale and Purchase Agreement and upon signing of the Online Filing Contracts.

LETTER FROM THE BOARD

- (3) RMB240,000,000, being the remaining balance of the total consideration, shall be paid by the Purchasers into the Escrow Account upon fulfillment of the Conditions contained in the Sale and Purchase Agreement and at least 22 business days prior to the completion of the title transfer procedures, and the consideration deposited in the Escrow Account shall be released after receiving instructions from the Purchasers, which instructions shall be given within five (5) business days upon completion of the title transfer procedures.

Completion : Completion shall take place within 20 days upon release by the Purchasers of the money deposited in the Escrow Account to the Vendor, whereby the Vendor will deliver the Property to the Purchasers and complete all handover work in relation to the Property and the Purchasers will sign a property handover confirmation after completing necessary inspection.

USE OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, 45% of the net proceeds from the global offering, amounting to approximately HKD179.3 million (equivalent to approximately RMB164.4 million calculated with reference to the medium exchange rate published by the People’s Bank of China on the Latest Practicable Date), will be used for the purchase and renovation of an artist training center in China. It is expected that (i) by the end of 2023, 4.5% of the net proceeds will be utilized to identify the property, sign the purchase agreement and make the down payment; (ii) by the end of 2024, 31.5% of the net proceeds will be utilized to make full payment for the purchase, complete space planning and design and initiate the interior construction and renovation work; and (iii) by the end of 2025, 9% of the net proceeds will be utilized to complete the construction and renovation work and equip the training center with furniture and musical equipment.

As of the Latest Practicable Date, the Company has not utilized any of the net proceeds allocated for the purchase and renovation of an artist training center. Taken into accounts the commercial negotiation with the Vendor on payment arrangement and after careful assessment and detailed evaluation of the Group’s current business needs, the Company has decided that it will apply the entire unutilized net proceeds for purchase and renovation of an artist training center in the amount of approximately HKD179.3 million to partially fund the consideration of the Acquisition. The Company considers that although the relevant net proceeds will now be fully utilized by the end of 2023, the usage of such net proceeds is still in line with the intended usage of net proceeds to purchase and develop an artist training center as disclosed in the Prospectus. In addition, the Company believes that the advancement of the utilization timeline of such net proceeds will enable the Company to deploy its financial resources more effectively

LETTER FROM THE BOARD

and is in the interests of the Company and its Shareholders as a whole and will not have any material adverse effect on the financial position, existing business and operations of the Group.

INFORMATION ABOUT THE PURCHASERS AND THE GROUP

The Purchasers are limited liability companies established in the PRC and are wholly-owned subsidiaries of the Company. Yuehua Limited is a limited liability company established in the PRC on July 3, 2009 and is principally engaged in artist management and copyrights management businesses. Tianjin Yuehua is a limited liability company established in the PRC on August 1, 2011 and is principally engaged in artist management business.

The Group is an established artist management platform in China and has grown into a culture and entertainment platform comprising three complementary businesses of artist management, music IP production and operation, and pan-entertainment business since its establishment in 2009.

INFORMATION ABOUT THE VENDOR AND THE PROPERTY

To the best of knowledge of the Directors, Beijing Jinkai Liantai is a company established in the PRC and is principally engaged in development and management of offices, property management, sale of self-developed commercial housing, engineering survey and design. As of the Latest Practicable Date, to the best of knowledge of the Directors, Beijing Jinkai Liantai is directly held as to 55.0% and 45.0% by Beijing Jindi Hongzhi Enterprise Management and Consulting Co., Ltd. (北京金地鴻志企業管理諮詢有限公司) and Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600376)), respectively. Beijing Jindi Hongzhi Enterprise Management and Consulting Co., Ltd. is indirectly held as to 98.93% by Vision (Shenzhen) Software Technology Co., Ltd. (深圳威新軟件科技有限公司), which is ultimately controlled by Gemdale Properties and Investment Corporation Limited (金地商置集團有限公司) (a company listed on the Stock Exchange (stock code: 535)).

As of the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Beijing Jinkai Liantai and its ultimate beneficial owners are Independent Third Parties.

The Property is a portion of FUTURE CENTER Block B (華樾中心B座), Building One, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區創遠路28號院1號樓) with a total gross floor area of approximately 10,575.42 square meters (including the above-ground and underground spaces) and 53 parking lots at its basement. The Property is owned by the Vendor and is designated for commercial, office and underground garage uses.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

With the expansion of the Group's business and the growing market demand for professional artists, a stable pipeline of well-trained, talented artists is critical to the Group's business success. To ensure that the Group can continuously train and promote high-quality artists, the Group intends to provide its trainees and managed artists with systematic training programs, customized training facilities, and safe and comfortable training conditions. However, few training facilities for rent can meet such requirements and they may incur additional costs as the Group needs to install acoustic panels and other professional equipment. In order to meet the business development needs of the Group and further improve the operation management of the Company, the Company intends to purchase the Property which will more effectively provide the Company's trainees and managed artists with customized training facilities and a pleasant training environment and further enhance the Company's capability of providing better artist management services, boosting its corporate competitiveness and social influence.

Taking into account of the above, the Directors believe that although entering into the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the transaction contemplated thereunder is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Based on the unaudited pro forma financial information of the Group set out in Appendix II to this circular, it is expected that upon completion of the Acquisition, (a) total assets will not be impacted, including an increase in property and equipment of approximately RMB440 million, an increase in other receivables of approximately RMB40 million, a decrease in cash and bank balances of approximately RMB480 million; (b) total liabilities will increase by RMB14 million, including an increase in other payable of approximately RMB14 million; (c) net assets will decrease by approximately RMB14 million. There will be no material impact on the profit of the Group for the year ending December 31, 2023.

RULE 14.67(6)(b)(i) OF THE LISTING RULES IS NOT APPLICABLE

Pursuant to Rule 14.67(6)(b)(i) of the Listing Rules, on an acquisition of revenue-generating properties with an identifiable income stream or assets valuation, a profit and loss statement and valuation (where available) for the three preceding financial years (or less, where the asset has been held by the vendor for a shorter period) on the identifiable net income stream shall be included in the circular.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors having made reasonable enquiries, the Property had not been leased to any tenants by the Vendor prior to the Acquisition and is currently in vacant possession. Therefore, there is no identifiable income stream generated by the Property prior to the Acquisition and the disclosure requirement under Rule 14.67(6)(b) of the Listing Rules for a profit and loss statement on the identifiable net income stream is not applicable to the Acquisition.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is lower than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice of the EGM to be held at Room 150, Building 119, No. 27 West Dawang Road, Chaoyang District, Beijing, PRC at 2:00 p.m. on Monday, September 11, 2023, at which an ordinary resolution will be proposed to the Shareholders at the EGM to consider and, if thought fit, to approve, confirm and ratify the Acquisition and the transactions contemplated thereunder.

A proxy form for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 2:00 p.m. on Saturday, September 9, 2023) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at the EGM must be taken by poll except where the chairperson of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company shall publish the poll results announcement in the manner prescribed under Rule 13.39(5) of the Listing Rules. Accordingly, the chairperson of the EGM will exercise his power under the Articles of Association to demand a poll in relation to all the proposed resolution at the EGM.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, September 6, 2023 to Monday, September 11, 2023, both days inclusive, during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of members of the Company on Monday, September 11, 2023 are entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m., on Tuesday, September 5, 2023.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has material interest in the Acquisition, and none of the Shareholders are required to abstain from voting on the resolution to be proposed at the EGM.

RECOMMENDATION

Based on the reasons for and benefits of the Acquisition as disclosed in the section headed "Reasons for and Benefits of the Acquisition" above, the Directors (including the independent non-executive Directors) believe that although entering into the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable, and the Acquisition is in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
YH Entertainment Group
DU Hua
*Executive Director, Chairlady of the Board
and Chief Executive Officer*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended December 31, 2020, 2021 and 2022 are disclosed in the following document which has been published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.yuehuamusic.com):

- the annual report of the Company for the year ended December 31, 2022 (pages 80 to 179)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400753.pdf>

- the prospectus of the Company dated December 30, 2022, setting out the financial information of the Group for the three years ended December 31, 2019, 2020 and 2021 and nine months ended September 30, 2022 (page I-4 to I-105)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1230/2022123000047.pdf>

2. INDEBTEDNESS STATEMENT

As of June 30, 2023, being the Latest Practicable Date for the purpose of this indebtedness statement, the indebtedness of the Group was as follows:

	As of June 30, 2023 <i>RMB in thousand</i>
Secured bank borrowings	65,945
Lease liabilities shown under current liabilities	4,060
Lease liabilities shown under non-current liabilities	<u>5,068</u>
Total indebtedness	<u><u>75,073</u></u>

As of June 30, 2023, the Group's bank borrowings were secured by certain property, plant and equipment and investment properties.

As of June 30, 2023, the Group's lease liabilities were not secured or guaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on June 30, 2023, the Group did not have any loan capital or debt securities issued and outstanding or agreed to be issued, bank overdrafts, or other similar indebtedness, liabilities under acceptances or acceptance credits, mortgages, charges, hire purchases commitments, guarantees, debentures, other recognized lease liabilities or other material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Since the Group's establishment in 2009, we have grown into a culture and entertainment platform comprising three complementary businesses of artist management, music IP production and operation, and pan-entertainment business. In 2022, despite the complicated market environment, we made endeavors to maintain and develop our connection and cooperation with our suppliers, customers and business partners. Benefiting from the increasing brand influence and growing core business, we reasonably expect that we are able to further grow and expand more sustainably and stably.

We continued to reinforce our leading position in the artist management market in China and to identify candidates with high artistic potential to build a robust pipeline of trainees and provide comprehensive and high-quality training classes to such trainees for the continuous growth of the artist management business of the Group.

Going forward, the Group will adhere to our comprehensive development strategy and continue to utilize the resources from our long-term industry accumulation, market expansion and brand influence to strengthen its competitiveness while exploring new development opportunities.

4. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful consideration, are of the opinion that, after taking into account of the Group's money funds, other internal resources available, available credit facilities and also the effect of the Acquisition, the Group will have sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular. The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that, as of the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group (the “**Unaudited Pro Forma Financial Information**”) prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, to illustrate the financial position of the Group as if the Acquisition had been taken place on 31 December 2022.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2022.

This Unaudited Pro Forma Financial Information has been prepared by the Directors solely for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition been taken place on 31 December 2022 or any future date. Accordingly, the financial position of the Group as shown in the Unaudited Pro Forma Financial Information may not be indicative of the Group’s future financial position upon the completion of the Acquisition.

The Unaudited Pro Forma Financial Information should be read in conjunction with the other financial information included elsewhere in this circular.

	Consolidated statement of assets and liabilities of the Group as at 31 December 2022	Pro forma adjustments	Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Group as at 31 December 2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>Note 1</i>	<i>Note 2</i>	
ASSETS			
Non-current assets			
Property, plant and equipments	103,001	440,367	543,368
Right-of-use assets	10,581	–	10,581
Investment properties	14,353	–	14,353
Intangible assets	4,426	–	4,426
Investments in associates	15,078	–	15,078
Financial assets at fair value through profit or loss	45,546	–	45,546
Deposits, prepayments and other receivables	35,717	–	35,717
Deferred income tax assets	4,248	–	4,248
	<u>232,950</u>	<u>440,367</u>	<u>673,317</u>
Total non-current assets	232,950	440,367	673,317

	Consolidated statement of assets and liabilities of the Group as at 31 December 2022	Pro forma adjustments	Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Group as at 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 2</i>	
Current assets			
Inventories	1,522	–	1,522
Trade receivables	129,940	–	129,940
Deposits, prepayments and other receivables	27,754	39,633	67,387
Investments measured at amortized cost	87,280	–	87,280
Financial assets at fair value through profit or loss-current	290,265	–	290,265
Cash and cash equivalents	528,660	(480,000)	48,660
Restricted cash	23,900	–	23,900
	<u>1,089,321</u>	<u>(440,367)</u>	<u>648,954</u>
Total current assets			
	<u>1,089,321</u>	<u>(440,367)</u>	<u>648,954</u>
Total assets	<u>1,322,271</u>	<u>–</u>	<u>1,322,271</u>
LIABILITIES			
Non-current liabilities			
Contract liabilities	30,636	–	30,636
Borrowings	66,276	–	66,276
Lease liabilities	5,841	–	5,841
Financial liabilities at fair value through profit or loss	774,964	–	774,964
	<u>877,717</u>	<u>–</u>	<u>877,717</u>
Total non-current liabilities			
	<u>877,717</u>	<u>–</u>	<u>877,717</u>

	Consolidated statement of assets and liabilities of the Group as at 31 December 2022 <i>RMB'000</i> <i>Note 1</i>	Pro forma adjustments <i>RMB'000</i> <i>Note 2</i>	Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Group as at 31 December 2022 <i>RMB'000</i>
Current liabilities			
Trade payables	190,619	–	190,619
Other payables and accruals	49,696	14,451	64,147
Contract liabilities	129,596	–	129,596
Current income tax liabilities	60,358	–	60,358
Lease liabilities	2,254	–	2,254
Financial liabilities at fair value through profit or loss	128,884	–	128,884
Total current liabilities	<u>561,407</u>	<u>14,451</u>	<u>575,858</u>
Total liabilities	<u>1,439,124</u>	<u>14,451</u>	<u>1,453,575</u>
Net deficit	(116,853)	(14,451)	131,304

B. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

Note 1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2022 as set out in the published 2022 annual report of the Company.

Note 2. The adjustment represents (i) the consideration amounting to approximately RMB440 million (value added tax excluded); (ii) related taxes of approximately RMB13 million; (iii) professional fee amounting to approximately RMB1 million and (iv) input value added tax amounting to approximately RMB40 million.

	<i>Note</i>	<i>RMB'000</i>
Consideration of the Acquisition (value added tax excluded)	(i)	440,367
Related taxes	(ii)	<u>13,451</u>
Subtotal		453,818
Professional fee	(iii)	1,000
Input value added tax	(iv)	<u>39,633</u>
Total		<u><u>494,451</u></u>

(i): The consideration for the Acquisition (value added tax excluded) is RMB440 million.

(ii): The amount represents deed duty and stamp duty payable amounting to approximately RMB13 million.

(iii): The amount represents estimated professional fee of approximately RMB1 million payable by the Group in connection with the Acquisition, which included the legal fee and other professional fees in relation to the Acquisition.

(iv): The input value added tax raising from the Acquisition is approximately RMB40 million.

Note 3. No other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022.

Note 4. The unaudited pro forma consolidated statement of assets and liabilities of the Group has not taken into account the bank borrowings of approximately RMB200 million intended to be borrowed by the Group as mentioned in the section “The Acquisition” of the Circular because the Group has not yet obtained any confirmed banking facility for such borrowings as at the date of this Circular.

The following is the text of a report on the unaudited pro forma financial information received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of YH Entertainment Group

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of YH Entertainment Group (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2022 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-7 of the Company’s circular dated August 22, 2023, in connection with the proposed acquisition of the property (the “**Transaction**”) by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-7 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group’s financial position as at 31 December 2022 as if the Transaction had taken place at 31 December 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2022, on which an audit report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which

requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, August 22, 2023

The following is the text of a letter, a summary of values and summary reports prepared for the purpose of incorporation in this circular received from Colliers Appraisal & Advisory Services Co., Ltd. an independent valuer, in connection with its valuation as at 30 June 2023 of the property interests of the Target Companies held by the Group.

Colliers Appraisal & Advisory Services Co., Ltd.

Suite 507, Block A, Gemdale Plaza,
No. 91 Jianguo Road, Chaoyang District,
Beijing



The Board of Directors
YH ENTERTAINMENT GROUP

22 August 2023

Dear Sir or Madam,

Re: VALUATION OF PORTION FUTURE CENTER BLOCK B, BUILDING ONE, YARD 28, CHUANGYUAN ROAD, CHAOYANG DISTRICT, BEIJING in the People's Republic of China (the "Property")

INSTRUCTIONS

We refer to your instructions for us to assess the Market Value of the Property in which YH ENTERTAINMENT GROUP (the "**Company**") and its subsidiaries (hereafter together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquires and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 30 June 2023 (the "**Valuation Date**"), for the purpose of incorporating in the public document.

BASIS OF VALUATIONS

Our valuations are provided on the basis of Market Value, which we would define as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION STANDARDS

These valuations have been carried out in accordance with the latest edition of the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

QUALIFICATIONS OF THE VALUER

These valuations have been prepared by Kin Ming Woo (James Woo) (RICS Registration No.: 0837243) and Stella Ho (RICS Registration No.: 1178305), James is a Fellow member of the Royal Institution of Chartered Surveyors. James is co-head of China Valuation and Advisory Services team at Colliers. He is suitably qualified to carry out the valuation and has over 25 years' experience in the valuation of properties of this magnitude and nature in China.

Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors (Membership No. 3626) and a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region. She is suitably qualified to carry out the valuation and has over 20 years of experience in valuing properties of this magnitude and nature in Hong Kong, China, and other Asia Pacific countries.

Neither the valuer nor Colliers are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the property interests.

VALUATION APPROACHES

In the valuation of the Property, we have adopted the Market Approach assuming sale of property interests in their existing state and by making reference to comparable sale transactions as available in the relevant markets.

SOURCES OF INFORMATION

Although we have made independent enquires as much as possible, we have relied to a very considerable extent on the information provided by the Group and its legal advisor in respect of the titles of the Property in the PRC. We also have accepted such information given to us as being true and correct for valuation purposes. This has included such matters as ownership title, site and floor areas, easements, tenure, the identification of the property interests and all other relevant matters.

We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation.

TITLE DOCUMENTS

We have been provided with copies or extracts of the title documents relating to the Property and have made relevant enquires where possible. Due to the nature of the land registration system in the PRC, however, we have not examined the original documents to verify the existing titles to the Property in the PRC or any material encumbrances that might be attached to the property interests or any lease amendments. We have made assumptions that the full and proper ownership title of the Property has been obtained and all payable land premium or land-use rights fees have been fully settled.

We have relied on the advice given by the Group's legal adviser, W&H Law Firm (北京市煒衡律師事務所), regarding the titles of the Property in the PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter and the valuation particulars are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the Property set out in this letter and the valuation particulars.

ASSUMPTIONS AND CAVEATS

Our valuation has been made on the assumption that the owner can sell the Property on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free of any encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have conducted the valuation assuming:

- the information about the Property provided true and correct;
- the Property is free from contamination and environmental problems or hazards;
- the full and proper ownership title of the Property have been obtained, and all payable land premium or land-use rights fees have been fully settled;
- the Property has been constructed, occupied and used in full compliance with, and without contravention of, all relevant laws, ordinances and statutory requirements;
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

SITE MEASUREMENT

We have not carried out on-site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are true and correct in all respects. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the Property exterior and, where possible, the interior of the Property upon the instruction received. No structural surveys or environmental assessments have been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have assumed such are in good order for the purpose of valuation.

Site inspections of the Property were carried out *by Jackey Li and James Woo on 28 June 2023 and 3 July 2023.*

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We hereby certify that we have neither present nor a prospective interest in the Property or the value reported.

Our valuation summary report is attached hereto.

Yours faithfully,
For and on behalf of

Colliers Appraisal & Advisory Services Co., Ltd. (“Colliers”)

Kin Ming Woo James

FRICS AICFC

Executive Director

Valuation and Advisory Services I China

Note: Mr. James Woo is a registered valuer with over 25 years’ experience in real estate industry and assets valuation sector. He has ample experience on valuation services in Mainland China and Hong Kong. Mr. Woo is a fellow member of the Royal Institution of Chartered Surveyors.

Contributing Valuer:

Stella Ho

BSSc (Hons) MSc MRICS MHKIS RPS(GP)

Executive Director

Valuation and Advisory Services I Hong Kong

Note: Ms. Stella Ho, MRICS MHKIS RPS(GP) is a qualified general practice surveyor and with over 20 years’ experience in valuation of properties in Hong Kong, China and other Asia Pacific countries.

VALUATION PARTICULARS

PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 30 JUNE 2023															
Portion of FUTURE CENTER Block B, (華樾中心B座), Building One, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, PRC	<p>FUTURE CENTER Block B (the “Development”) is a 10-storey commercial building over 4 basement level erected on a parcel of land, with a total site area of 22,975.03 sq m completed in 2022.</p> <p>As advised, the Property comprises the entire commercial units, office units and 53 basement carparking spaces of the Development. Detailed GFA of the Property is listed below:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Level</th> <th>GFA (sq m)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>9</td> <td>8,077.86</td> </tr> <tr> <td>Commercial</td> <td>1</td> <td>801.28</td> </tr> <tr> <td>Commercial</td> <td>B1</td> <td><u>1,696.28</u></td> </tr> <tr> <td>Total</td> <td></td> <td><u>10,575.42</u></td> </tr> </tbody> </table>	Portion	Level	GFA (sq m)	Office	9	8,077.86	Commercial	1	801.28	Commercial	B1	<u>1,696.28</u>	Total		<u>10,575.42</u>	At the date of our inspection, the Property was vacant.	RMB480,100,000 (RENMINBI FOUR HUNDRED EIGHTY MILLION AND ONE HUNDRED THOUSAND) <i>Note iv</i>
Portion	Level	GFA (sq m)																
Office	9	8,077.86																
Commercial	1	801.28																
Commercial	B1	<u>1,696.28</u>																
Total		<u>10,575.42</u>																

Pursuant to the real estate ownership certificates provided, the land-use rights of the Property have been granted for a term expiring on 2 December 2068 for office, underground garage uses and commercial uses for a term expiring on 2 December 2058 for commercial uses.

Notes:

- (i) Pursuant to two Real Estate Ownership Certificates – Jing (2022) Chao Bu Dong Chan Quan No.0073209 and No. 0039105 dated 24 September 2022 and 9 June 2022 respectively, the building ownership of the property with a total gross floor area of approximately 17,911.27 sq.m. and the corresponding land use rights are vested in Beijing Jinkai Liantai Real Estate Development Co., Ltd (北京金開連泰房地產開發有限公司).

No.	Certificate No.	Date	Usage	GFA
1.	Jing (2022) Chao Bu Dong Chan Quan No.0073209	24 September 2022	Office/Commercial	10,575.42
2.	Jing (2022) Chao Bu Dong Chan Quan No. 0039105	9 June 2022	Underground storage, underground garage/Class E storage room, parking space	7,335.85
TOTAL				<u>17,911.27</u>

As advised by the Group, the Property only comprises portion of the Development as stated in the above-mentioned certificates.

(ii) The general description and market information of the Property are summarized below:

Location	The Property is located at Building 1, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, PRC
Transportation	Capital International Airport is located approximately 12 kilometres away from the Property. Also, taxi and bus are readily available in the locality.
Nature of Surrounding Area	The subject area is a predominately office and commercial area.

(iii) In assessing the market value of the Property, we have made reference to sales prices of similar properties in the vicinity. Comparable properties are located in the same district with similar conditions, size and tenure, etc. Comparable that had been selected include office ranges from RMB42,000 to RMB49,000 psm; commercial ranges from RMB50,000 to RMB51,000 psm; and the carparking space ranges from RMB250,000 to RMB280,000 per lot. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, location, building facilities, age/maintenance, etc. to determine the unit price of the Property.

(iv) Our valuation is the aggregate market value of all saleable units of the Property.

(v) We have been provided with a legal opinion on the Property prepared by the Client's PRC legal advisor, which contains, inter alia, the following information:

- (a) Beijing Jinkai Liantai Real Estate Development Co., Ltd (北京金開連泰房地產開發有限公司) has the legal and effective rights to possess, use, receive earnings from and dispose of the Property in accordance to the above-mentioned real estate ownership certificates. According to the Real Estate Registration Information Inquiry Result Notice (不動產登記信息查詢結果告知單) issued by the Beijing Municipal Commission of Planning and Natural Resources on May 23, 2023, the Property is not subject to any restriction, bank mortgage and encumbrances or any third-party interests.
- (b) Beijing Jinkai Liantai Real Estate Development Co., Ltd (北京金開連泰房地產開發有限公司) has the right to carry out the sale of FUTURE CENTER Block B, (華樾中心B座) within the approved sales scope in accordance with the Filing Certificate for the Sale of Existing Houses of Commercial Housing (商品房現房銷售備案證明).
- (c) There is no substantial legal obstacle for the Company to obtain the ownership of the Property after the transactions and complete registration in accordance with PRC laws, regulations and agreements.

CAVEATS AND ASSUMPTIONS**1. DEFINITIONS**

In these Caveats and Assumptions the following words or phrases shall have the meaning or meanings set out below:

‘Confidential Information’ means information that:

- (a) Is by its nature confidential.
- (b) Is designated by Us as confidential.
- (c) You know or ought to know is confidential.
- (d) Includes, without limitation: information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services.
- (e) You or Your affiliates provide to Us for the purposes of the Services.

‘Currency Date’ means, in relation to any valuation report, the date as at which our professional opinion is stated to be current.

‘Fee’ means the amount agreed to be paid for the Services as set out in the Quotation.

‘Parties’ means You or Us as the context dictates.

‘Quotation’ means the written quote provided by Us in relation to the Services.

‘Services’ means the valuation services provided pursuant to these terms and conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the Services.

‘The Property’ means the assets which are subject of our appointment as your advisor. This may include land, buildings, plant & equipment and other assets as described in the appointment agreement.

‘We’, ‘Us’, ‘Our’, ‘Colliers’ means, Colliers Appraisal & Advisory Services Co., Ltd.

‘You’, ‘Your’, ‘Client’ means the person, company, firm or other legal entity by or on whose behalf instructions are given, and any person, firm, company or legal entity who actually gave the instructions to us even though such instructions were given as agent for another.

'Professional Property Practice Standards' refers to RICS Valuation – Professional Standards, or appropriate standards.

2. PERFORMANCE OF SERVICES

2.1 We have provided the Services in accordance with:

- (a) The terms and conditions contained herein; or
- (b) As specifically instructed by You for the purpose of the Services; and
- (c) Within the current provisions set by the prevailing Professional Property Practice Standards.

3. CONDITION OF THE PROPERTY

- 3.1 No allowance has been made in our report for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value, whether existing or otherwise, unless otherwise stated. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title which is assumed to be good and marketable. We are not aware of any easements or rights of way affecting the property and our valuation assumes that none exists.
- 3.2 We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of, all ordinances, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, and authorisations have been obtained, except only where otherwise stated.
- 3.3 We have assumed that any development sites are in a condition suitable for development; this has not been checked by us.
- 3.4 We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.
- 3.5 We have assumed that there is no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.

- 3.6 An internal inspection has been made, unless otherwise stated, no detailed on-site measurements have been taken.
- 3.7 While due care is exercised in the course of our inspection to note any serious defects, no structural survey of the Property will or has been undertaken, and We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.
- 3.8 None of the services have been tested by Us and we are unable therefore to report on their present condition, but will presume them to be in good working order.
- 3.9 We recommend that You engage appropriately qualified persons to undertake investigations excluded from our Services.
- 3.10 No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

4. ENVIRONMENT AND PLANNING

- 4.1 We have obtained only verbal town planning information. It is your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation.
- 4.2 We do not hold ourselves to be experts in environmental contamination. Unless otherwise stated, our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show the site is contaminated, our valuation may require revision.

5. BUILDING AREAS

- 5.1 Where a survey is provided to Us for consideration, We will assume that information contained in the survey is accurate and has been prepared in accordance with the prevailing Professional Property Practice Standards.
- 5.2 If you do not provide Us with a survey, We will estimate building areas based only upon available secondary information (including but not limited to building plans, deposited plans, and our own measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the prevailing Professional Property Practice Standards.

5.3 Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation back to Us for comment or, where appropriate, amendment.

6. OTHER ASSUMPTIONS

6.1 Unless otherwise notified by You, We will assume:

- (a) There are no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the title.
- (b) All licences and permits can be renewed and We have not made any enquiries in this regard.

6.2 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural/dilapidation reports), we will rely upon the apparent expertise of such experts/specialists. We will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.

6.3 Our services are provided on the basis that the Client has provided us, to the best of its knowledge, with a full and frank disclosure of all information and other facts which may affect the service, including all secrecy clauses and side agreements. We accept no responsibility or liability whatsoever for the valuation unless such a full disclosure has been made.

6.4 Any plans, sketches or maps included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.

6.5 The study of possible alternative development options and the related economics are not within the scope of this report, unless otherwise stated.

6.6 Our opinion about the market value of the property is free from any influence and/ or point of views of any other parties.

7. ESTIMATED SELLING PRICE

7.1 Where you instruct Us to provide an estimated selling price, You agree that the Services:

- (a) Are limited to the provision of an opinion based on Our knowledge of the market and informal enquiries.

- (b) We are not required to carry out a full inspection of the property; any inspection of comparable properties; a search of title(s) or other enquiries as to encumbrances, restrictions or impediments on title(s); or other investigations which would be required for a formal valuation.
- (c) Provide an indicative figure only which is not suitable for use for any purpose other than as general information or guide as to sale expectations. It is not suitable to be relied upon for the purpose of entry into any transaction.

7.2 No responsibility will be accepted either to You or to any third party for loss or damage that may result from the issue of such an estimated selling price.

8. CURRENCY OF VALUATION

8.1 Due to possible changes in market forces and circumstances in relation to the property the Services can only be regarded as relevant as at the Currency Date.

8.2 Where You rely upon Our valuation report after the Currency Date, You accept the risks associated with market movements between the Currency Date and the date of such reliance.

8.3 Without limiting the generality of 8.2, You should not rely upon Our valuation:

- (a) After the expiry of 3 months from the Currency Date;
- (b) Where circumstances have occurred during that period which may have a material effect on the value of the property or the assumptions or methodology used in the valuation report.

9. MARKET PROJECTIONS

9.1 Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, interest rates, incentives, yields and costs are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.

9.2 Where Our Services include market projections such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.

9.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

9.4 All statements of fact in the valuation report which are used as the basis of our analyses, opinions, and conclusions will be true and correct to the best of our knowledge and belief. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to us by you.

10. YOUR OBLIGATIONS

10.1 You warrant that the instructions and subsequent information supplied by You, to the best of your knowledge, contain a full and frank disclosure of all information that is relevant to Our provision of the Services.

10.2 You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.

10.3 You authorise and license Us to incorporate Your intellectual property within Our report(s).

10.4 You will not release any part of Our valuation report or its substance to any third party without Our written consent. When we consent for You to release Our report or any part of Our report to any third party, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it/they had been a party to the original letter of instruction between us. Where we consent to such reliance, You agree to furnish the addressee with a copy of any reliance letter issued by Us and/or a copy of these terms and conditions.

10.5 We reserve the right to reconsider or amend the valuation advice, or the Fee set out in Our Quotation to You, if;

- (a) Certificates, surveys, leases, side agreements or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the value of the advice; or
- (b) Where subsequent site inspections made in relation to any of the matters raised in Clause 3 materially affect or may alter the value of the property, the subject of the Services; or
- (c) The information provided to Us by You prior to the provision of services is in any way incomplete, misleading or wrong.

- 10.6 If You release any part of the valuation advice or its substance without written consent, You agree to defend and indemnify Us against claims by a third party who has reviewed the report if We have not, at or subsequent to the time of engagement, provided our specific written consent to such party reviewing and relying on the report. We have no responsibility to any other person even if that person suffers damage as a result of You providing this valuation without Our prior consent.
- 10.7 You agree that the only remedy for losses or damages relating to the breach of this Agreement shall be limited to three times Our contracted fee for the assignment and no claim shall be made for any consequential or punitive damages.
- 10.8 You agree not to bring any claim for any losses against any director, consultant or any employee of Ours. You hereby agree that Our director, consultant or any employee does not have a personal duty of care to You and any claim for losses must be brought against Colliers.
- 10.9 Where any loss is suffered by You for which We and any other person are jointly and severally liable to You the loss recoverable by You from Us shall be limited so as to be in proportion to our relative contribution to the overall fault.

11. CONFIDENTIALITY

- 11.1 This report and each part of it is prepared and intended for the exclusive use of the Client for the sole purpose outlined in Our agreement for the purposes as specified in the agreement, and in accepting this report, the Client expressly agrees not to use or rely upon this report or any part of it for any other purpose. No person other than the Client shall use or rely upon this report or any part of it for any purpose unless we have given Our express written consent. Similarly neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.
- 11.2 If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.
- 11.3 You agree that You will indemnify, hold harmless and defend Us from and against any and all loss, liability, costs or expenses (including but not limited to professional or executive time) We may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.
- 11.4 Unless otherwise directed in writing by Client, Colliers retains the right to include references to the Services in its promotional material. Such references shall not contain confidential material.

12. PRIVACY

12.1 We may obtain personal information about You in the course of performing Our Services. We respect your privacy and advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

13. SUBCONTRACTING

13.1 We may sub-contract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these terms and conditions, with Your consent.

14. LIMITATION OF COLLIERS LIABILITY

14.1 To the extent permissible under applicable laws, in no event shall Colliers be liable to Client or anyone claiming by, through or under Client, including insurers, for any lost, delayed, or diminished profits, revenues, production, business, use or opportunities, or any incidental, special, indirect, or economic losses, wasted costs, diminution of value or consequential damages, of any kind or nature whatsoever, however caused.

14.2 We shall be released from Our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond Our reasonable control (examples being a strike, act of God or act of terrorism). All the costs and benefits forecasted will, ultimately, be determined by future market conditions. Forecasts of these elements are based on assumptions of certain variable factors, which, in turn, are extremely sensitive to changes in the market and economic contexts. For this reason, the figures mentioned in this report were not computed under any known or guaranteed conditions. Rather, these are forecasts drawn from reliable sources of data and information and made in the best judgment and professional integrity of Colliers. Notwithstanding this, Colliers reiterates that it will not accept any responsibilities in the face of damage claims that might result from any error, omission or recommendations, viewpoints, judgments and information provided in this report.

14.3 Neither Colliers nor any employee of Ours shall be required to give testimony or to appear in court or any other tribunal or at any government agency by reason of this valuation report or with reference to the property in question, except by court summons/judicial notification, and unless prior arrangements have been made and we are properly reimbursed for reasonable time and expenses incurred. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes valuation report) and all meetings related to court testimony.

- 14.4 We are free from any possible legal and/ or non-legal issue which may attach to the Property's title documents.
- 14.5 All statements of fact in the valuation report which are used as the basis of our analyses, opinions, and conclusions will be true and correct to the best of our knowledge and belief. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to Us by You.
- 14.6 Our liability for loss and damage attributable to Our negligence, breach of contract, misrepresentation or otherwise (but not in respect of fraud, fraudulent misrepresentation, death or personal injury) shall be limited to a maximum of three times Our contracted fee for the assignment per property for any single case. A single case of damages is defined as the total sum of all damage claims of all persons entitled to claim, which arise from one and the same professional error / offence. In the case of damages suffered from several offences brought about by the same technical error within the scope of several coherent services of a similar nature, we are only to be held liable for an amount of three times Our contracted fee for the assignment per property.
- 14.7 Where the agreement is addressed to more than one Client, the above limit of liability applies to the aggregate of all claims by all such Clients and not separately to each Client.
- 14.8 No third party will be entitled to rely on any part of Our valuation report or its substance or advice except with our written consent. Should any third party rely on Our report without obtaining Our written consent, We are not bound by any liability which arises from the use of or reliance upon Our valuation report by such unauthorised party.
- 14.9 We will not be liable for any services outside the scope of the services agreed to be performed by Us, and in respect of any consequential losses or loss of profits.
- 14.10 Responsibility for Our valuation extends only to the party(ies) to whom it is addressed. However in the event of Us being asked by You to re-address Our report to another party or other parties or permit reliance upon it by another party or other parties, We will give consideration to doing so, to named parties, and We reserve the right to charge additional fee for doing so although We will agree such fee with You before commencing the work.

15. ENTIRE AGREEMENT

15.1 No further agreement, amendment or modification of these terms and conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.

15.2 If there is inconsistency between these terms and conditions and the Quotation, any letter of instruction from You, or other specific request or information shall prevail to the extent of the inconsistency.

15.3 Copyright in any reports, documents or other material provided to You by Us shall remain Our property at all times unless otherwise stated.

16. ANTI BRIBERY AND CORRUPTION MEASURES

16.1 We represent, in connection with any services to be provided to You, that neither We nor Our contractors, employees or agents (collectively, “**Consultant**”) has made or will make, either directly or indirectly, any payments (i) to or for the use or benefit of any Government Official (ii) to any other person either for an advance or reimbursement, if Consultant knows or has reason to know that any part of such payment has been or will be given to any Government official or (iii) to any person or entity, the payment of which would violate laws and regulations in Australia, the United States, the United Kingdom or any other government entity having jurisdiction over the activities carried out by Consultant. The term “Government Official” in this paragraph means any officer or employee of a government or any governmental department or agency, or any person acting in an official capacity for or on behalf of any such government or governmental department or agency, including employees of state-owned or controlled entities and candidates for political office.

16.2 We represent that, in connection with any services to be provided to You, We will conduct operations at all times in compliance with applicable financial recordkeeping and reporting requirements, including all applicable money laundering-related laws of any jurisdictions where We conduct business or own assets.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and the Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As of the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executives or their respective associates are deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Long/short position	Number of Shares	Approximate percentage of interest in the Company ⁽¹⁾
Ms. DU Hua ("Ms. Du")	Interest in controlled corporation ⁽²⁾	Long position	376,350,000	43.17%
	Interest of spouse ⁽³⁾		24,825,000	2.85%
Mr. SUN Yiding ("Mr. Sun")	Interest in controlled corporation ⁽⁴⁾	Long position	24,825,000	2.85%
	Interest of spouse ⁽³⁾		376,350,000	43.17%

Name of Director	Nature of interest	Long/short position	Number of Shares	Approximate percentage of interest in the Company⁽¹⁾
Mr. SUN Le	Beneficial Owner ⁽⁵⁾	Long position	3,225,000	0.37%

Notes:

- (1) The percentage figures disclosed under “Approximate percentage of interest in the Company” are calculated based on the 871,881,000 Shares, being the number of total issued shares of the Company as of the Latest Practicable Date.
- (2) As of the Latest Practicable Date, DING GUOHUA LIMITED directly holds 376,350,000 Shares. DING GUOHUA LIMITED is owned as to 80% by HuaDingGuo Limited (an entity wholly owned by Ms. Du), and 20% by Xihaha International Holding Limited (an entity controlled by Ms. Du through a trust), respectively. Therefore, Ms. Du is deemed to be interested in the Shares directly held by DING GUOHUA LIMITED by virtue of the SFO.
- (3) Ms. Du and Mr. Sun are cohabiting as spouse. Accordingly, for the purpose of the SFO, Ms. Du is deemed, or taken to be, interested in the Shares in which Mr. Sun is interested; and Mr. Sun is deemed, or taken to be, interested in the Shares in which Ms. Du is interested.
- (4) As of the Latest Practicable Date, QINGDINGDANG LIMITED directly holds 24,825,000 Shares. QINGDINGDANG LIMITED is owned as to 99% by Dawei International Holding Limited (an entity controlled by Mr. Sun through a trust) and 1% by DingDangQing Limited (an entity wholly owned by Mr. Sun). Therefore, Mr. Sun is deemed to be interested in the Shares directly held by QINGDINGDANG LIMITED by virtue of the SFO.
- (5) As of the Latest Practicable Date, Mr. SUN Le is interested in the 3,225,000 underlying Shares relating to the restricted share units granted to him pursuant to the share incentive plan adopted by the Company on December 10, 2021.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

The register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO (including interests filed with the Stock Exchange) shows that as of the Latest Practicable Date, the following persons (other than the Directors and the chief executive) had the following interests and short positions (if any) in the shares and underlying shares of the Company:

Name of Shareholder	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in the Company ⁽¹⁾
CMC Sports Investment Limited	Beneficial owner ⁽²⁾	106,875,000	12.26%
CMC Sports Acquisition Limited	Interest in controlled corporation ⁽²⁾	106,875,000	12.26%
CMC Sports Group Limited	Interest in controlled corporation ⁽²⁾	106,875,000	12.26%
CMC Inc.	Interest in controlled corporation ⁽²⁾	106,875,000	12.26%
GLRG Holdings Limited	Interest in controlled corporation ⁽²⁾	106,875,000	12.26%
Gold Pioneer Worldwide Limited	Interest in controlled corporation ⁽²⁾	106,875,000	12.26%
Brilliant Spark Holdings Limited	Interest in controlled corporation ⁽²⁾	106,875,000	12.26%
Mr. LI Ruigang	Interest in controlled corporation ⁽²⁾	106,875,000	12.26%
Interform Construction Supplies Limited	Beneficial owner ⁽³⁾	106,875,000	12.26%
SAC Enterprises Limited	Interest in controlled corporation ⁽³⁾	106,875,000	12.26%

Name of Shareholder	Nature of interest	Number of Shares⁽¹⁾	Approximate percentage of interest in the Company⁽¹⁾
Alibaba Pictures Group Limited	Interest in controlled corporation ⁽³⁾	106,875,000	12.26%
Ali CV Investment Holding Limited	Interest in controlled corporation ⁽³⁾	106,875,000	12.26%
Alibaba Investment Holding Limited	Interest in controlled corporation ⁽³⁾	106,875,000	12.26%
Alibaba Investment Limited	Interest in controlled corporation ⁽³⁾	106,875,000	12.26%
Alibaba Group Holding Limited	Interest in controlled corporation ⁽³⁾	106,875,000	12.26%

Notes:

- (1) The information disclosed herein was based on the data available on the website of the Stock Exchange (<http://www.hkexnews.hk>). The percentage figures disclosed under “Approximate percentage of interest in the Company” are calculated based on the 871,881,000 Shares, being the number of total issued shares of the Company as of the Latest Practicable Date.
- (2) CMC Sports Investment Limited is wholly owned by CMC Sports Acquisition Limited, which is in turn wholly owned by CMC Sports Group Limited, then wholly owned by CMC Inc. (formerly known as CMC Holdings Limited). CMC Inc. is a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited, which holds the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited. Gold Pioneer Worldwide Limited is wholly-owned by Brilliant Spark Holdings Limited, which is in turn wholly-owned and controlled by Mr. Li Ruigang. Therefore, each of CMC Sports Acquisition Limited, CMC Sports Group Limited, CMC Inc., Gold Pioneer Worldwide Limited, GLRG Holdings Limited, Brilliant Spark Holdings Limited and Mr. Li Ruigang is deemed to be interested in the Shares directly held by CMC Sports Investment Limited by virtue of the SFO.
- (3) Interform Construction Supplies Limited is wholly owned by SAC Enterprises Limited, which is in turn wholly owned by Alibaba Pictures Group Limited, a non wholly-owned subsidiary of Ali CV Investment Holding Limited, which is wholly-owned by Alibaba Investment Limited. Alibaba Investment Limited is wholly-owned subsidiary of Alibaba Group Holding Limited. Therefore, each of SAC Enterprises Limited, Alibaba Pictures Group Limited, Ali CV Investment Holding Limited, Alibaba Investment Limited and Alibaba Group Holding Limited is deemed to be interested in the Shares directly held by Interform Construction Supplies Limited.

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

3. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

- (a) As of the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

4. COMPETING INTERESTS

As of the Latest Practicable Date, Ms. DU Hua and Mr. SUN Yiding, our executive Directors, hold 51% and 49% equity interest in Horgos Yuehua Picture Limited (霍爾果斯樂華影業有限公司) (“**Horgos Yuehua**”), respectively. Horgos Yuehua is a limited liability company established in the PRC on January 6, 2016, which is principally engaged in production and investment of variety programs, movies and drama series. As distinguished from the business conducted by Horgos Yuehua, the Group’s pan-entertainment business mainly includes commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise. The variety program format licensing under the Group’s pan-entertainment business refers to sublicensing of the program format of a variety program of Yuehua Entertainment Korea Co., Ltd. (a non-wholly owned subsidiary of Yuehua Limited) to a leading online video platform in China, for which it receives licensing fees in return. As such, the variety program format licensing business under the pan-entertainment business is different from the variety program production business conducted by Horgos Yuehua. After the dismantlement of the contractual arrangements in respect of Horgos Yuehua on March 2022 as part of the Group’s reorganization, the Group does not intend to engage in the businesses historically conducted by Horgos Yuehua due to its strategic focus on the Group’s core business. Therefore, the Directors consider that Horgos Yuehua does not competes and is not likely to compete, directly or indirectly, with our business. For details of the dismantlement of the contractual arrangements with respect to Horgos Yuehua, see “History, Reorganization and Corporate Structure – Reorganization – VI. Dismantlement of Contractual Arrangements” in the Prospectus.

Save as disclosed above, and except for the interests in our Company and its subsidiaries, as of the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries under Rule 8.10 of the Listing Rules.

5. DIRECTORS' SERVICE CONTRACT AND LETTERS OF APPOINTMENT

The Company has entered into a service contract with each of the executive Directors and a letter of appointment with each of the non-executive Directors and independent non-executive Directors, respectively. As of the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

As of the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within two years immediately preceding the Latest Practicable Date and are or may be material:

- i. the Sale and Purchase Agreement;
- ii. the Hong Kong Underwriting Agreement dated December 28, 2022 relating to the Hong Kong Public Offering;
- iii. the cornerstone investment agreement dated December 28, 2022 entered into among our Company, Sun Mass Energy Development Limited, China Ruyi Holdings Limited (中國儒意控股有限公司) (as the guarantor) and China Securities (International) Corporate Finance Company Limited, pursuant to which Sun Mass Energy Development Limited agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$7.9 million;
- iv. the cornerstone investment agreement dated December 28, 2022 entered into among our Company, Maoyan Entertainment (HK) Limited (貓眼娛樂(香港)有限公司) and China Merchants Securities (HK) Co., Limited, pursuant to which Maoyan Entertainment (HK) Limited (貓眼娛樂(香港)有限公司) agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$5.0 million;
- v. the cornerstone investment agreement dated December 28, 2022 entered into among our Company, Mr. Ding Shijia and China Securities (International) Corporate Finance Company Limited, pursuant to which Mr. Ding Shijia agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$5.0 million; and

- vi. the cornerstone investment agreement dated December 28, 2022 entered into among our Company, TradArt Flagship Investment SPC acting on behalf of IPO Mixed Strategy Investment SP and China Securities (International) Corporate Finance Company Limited, pursuant to which TradArt Flagship Investment SPC acting on behalf of IPO Mixed Strategy Investment SP agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$2.0 million.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who had given opinions contained in this circular:

Name	Qualification
Colliers Appraisal and Advisory Services Co., Ltd.	The Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating with the International Valuation Standards of the International Valuation Standard Council (IVSC), and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588 of Laws of Hong Kong).

As of the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and/or opinion dated the date of this circular and references to its name in the form and context in which they appear.

As of the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As of the Latest Practicable Date, each of the above experts did not have any interests, either direct or indirect, in any assets which have been acquired or disclosed of by or leased to or are proposed to be acquired or disposed of by, or leased to any member of the Group since December 31, 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.yuehuamusic.com) during a period of 14 days from the date of this circular:

- (a) the Articles of Association;
- (b) the report from PricewaterhouseCoopers on the Unaudited Pro Forma Financial Information of the Group, the text of which is set out in Appendix II to this circular;
- (c) the letter and valuation certificate prepared by Colliers Appraisal and Advisory Services Co., Ltd., the text of which is set out in Appendix III to this circular;
- (d) the letters of consent from each of PricewaterhouseCoopers and Colliers Appraisal and Advisory Services Co., Ltd. referred to in the section headed "Experts and Consents" in this appendix;
- (e) the material contracts referred to in the section headed "Material Contracts" in this appendix; and
- (f) this circular.

10. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. ZHANG Wensheng ("**Mr. Zhang**") and Mr. CHUNG Ming Fai ("**Mr. Chung**"). Mr. Zhang is our chief financial officer and joined our Group in June 2020. Mr. Zhang is primarily responsible for overseeing the financial operation, risk management and investor relations. Prior to joining our Company in June 2020, Mr. Zhang worked at Gome Electrical Appliances Co., Ltd (國美電器有限公司) and its subsidiaries from March 2000 to April 2019. Mr. Zhang received a bachelor's degree in economics from Tianjin University of Finance and Economics (天津財經大學) (formerly known as Tianjin Finance and Economics Institute (天津財經學院)) in the PRC in July 1990. Mr. Chung has been serving as vice president of corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider of the Company. Mr. Chung has over 18 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. He obtained his bachelor's degree in commerce from the Australian National University in December 2003. Mr. Chung is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.
- (b) The Company's Hong Kong Share Registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



乐华娱乐
YUE HUA
ENTERTAINMENT

YH Entertainment Group 乐华娱乐集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2306)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of YH Entertainment Group (the “Company”) will be held at Room 150, Building 119, No. 27 West Dawang Road, Chaoyang District, Beijing, PRC, on Monday, September 11, 2023 at 2:00 p.m. for considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution of the Company. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated August 22, 2023 (the “Circular”):

ORDINARY RESOLUTION

“THAT:

- (a) The Sale and Purchase Agreement dated July 24, 2023 and entered into among the Purchasers (Yuehua Limited and Tianjin Yuehua, each a wholly-owned subsidiary of the Company) and the Vendor in relation to the sale and purchase of the Property (details of the Sale and Purchase Agreement are set out in the circular of the Company dated August 22, 2023) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and
- (b) any one or more Director(s) of the Company be and is/are hereby authorized to implement and take all steps and do all acts and things and execute all such documents (including under seal of the Company, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

By order of the Board
YH Entertainment Group
Ms. DU Hua
*Executive Director, Chairlady of the Board
and Chief Executive Officer*

Hong Kong, August 22, 2023

NOTICE OF EGM

Notes:

- (1) The above resolution at the EGM will be taken by poll pursuant to the articles of association of the Company. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- (2) For the purpose of determining the identity of the shareholders entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, September 6, 2023 to Monday, September 11, 2023 (both days inclusive), during which period no transfer of shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, September 5, 2023. Shareholders whose names appear on the register of members of the Company on Monday, September 11, 2023 are entitled to attend and vote at the EGM.
- (3) A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
- (4) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding of the EGM (i.e. not later than 2:00 p.m. on Saturday, September 9, (Hong Kong time)) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM and at any adjournment thereof and, in such event, the form of proxy will be deemed to be revoked.
- (5) Bad weather arrangement:
 - (i) if a black rainstorm warning signal or a typhoon warning signal no. 8 or above or "extreme conditions" caused by super typhoons is in force in Hong Kong at any time after 7:30 a.m. (Hong Kong time) on the date of the EGM, the EGM will be automatically adjourned to a later date. The Company will post an announcement on both websites of the Company (www.yuehuamusic.com) and the Stock Exchange (www.hkexnews.hk) to notify Shareholders of the date, time and location of the adjourned EGM. Shareholders should in any event exercise due care and caution when deciding to attend the EGM in adverse weather conditions. In the event that the EGM is adjourned because of bad weather or other reasons, the book closure period and record date for determination of entitlement to attend and vote at the adjourned EGM will remain the same as stated above; and
 - (ii) the EGM will be held as scheduled when an amber or red rainstorm warning signal or typhoon warning signal no. 3 or below is in force in Hong Kong at any time on that day.

As at the date of this notice, the Board comprises Ms. DU Hua, Mr. SUN Yiding and Mr. SUN Le as the executive Directors; Ms. YAO Lu and Mr. MENG Jun as the non-executive Directors; and Mr. FAN Hui, Mr. LU Tao and Mr. HUANG Jiuling as the independent non-executive Directors.