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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2023 together with the comparative figures for the same period in 2022:

FINANCIAL HIGHLIGHTS

	For the six months ended		Period-over- Period change
	June 30, 2023	2022	
	<i>(RMB in thousands, except for percentages)</i>		
	(Unaudited)	(Unaudited)	
Revenue	364,821	487,970	(25.2%)
Gross profit	76,161	203,806	(62.6%)
Gross profit margin	20.9%	41.8%	(50.0%)
Operating profit	1,793	153,002	(98.8%)
(Loss)/profit before income tax	(160,747)	126,026	N/A
(Loss)/profit for the period	(175,913)	92,733	N/A
Non-IFRS measures:			
Adjusted net profit for the period*	49,892	168,692	(70.4%)

* We define adjusted net profit for the period (a non-IFRS measure) as profit for the period adjusted for (i) equity settled share-based payments; (ii) fair value changes of convertible preferred shares; (iii) listing expenses; and (iv) interest expenses on redemption liabilities. Shareholders and potential investors of the Company should note that the adjusted net profit for the period is not a measure required by, or presented in accordance with, the IFRS.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are an established artist management company in China. Since our establishment in 2009, we have grown into a culture and entertainment platform comprising three complementary businesses of artist management, music IP production and operation, and pan-entertainment business.

During the Reporting Period, despite the complicated market environment, we made endeavors to maintain and develop our connection and cooperation with our suppliers, customers and business partners.

Based on our full-fledged professional artist management system, we have been continually exploring diversified career path and training scheme for our managed artists and trainees. Leveraging their positive public images and popularity, our managed artists have played important roles in various popular productions, such as the drama series “Warm on a Cold Night (九霄寒夜暖)” and “The Glory Part 2 (黑暗榮耀第二季)”, the movies “Hidden Blade (無名)” and “Born to Fly (長空之王)”, and the variety programs “Great Escape 2023 Season 5 (密室大逃脫第五季)”, “Go Fighting 2023 Season 9 (極限挑戰第九季)” and “Great Dance Crew 2023 Season 2 (了不起！舞社第二季).”

We are also dedicated to the development of our music IP production and operation business. During the Reporting Period, we successfully released nine digital singles and four digital albums covering a diverse range of genres, which enjoyed widespread popularity.

To further develop our pan-entertainment business, we formed an AI-generated content (“AIGC”) company with a business partner during the Reporting Period. With application of the AIGC technology, this company will focus on creating digital human images for artists to interact with the audience, which we believe will bring great commercial potential for our pan-entertainment business and the pan-entertainment market. Moreover, we expect to explore more pan-entertainment opportunities in the future along with the forthcoming establishment and growth of YH SPACE, an integrated performance and entertainment complex.

Our total revenue decreased from RMB488.0 million for the six months ended June 30, 2022 to RMB364.8 million for the six months ended June 30, 2023, primarily due to the unpromising market conditions. Accordingly, we recorded loss for the period of RMB175.9 million for the six months ended June 30, 2023, compared to profit for the period of RMB92.7 million for the six months ended June 30, 2022, primarily due to the fair value loss of convertible preferred shares and a decrease in revenue.

Leveraging our long-time experience accumulated in the entertainment industry and the brand influence further enhanced by the Listing on the Stock Exchange, we will keep executing our comprehensive development strategies and capture opportunities in existing and new business initiatives in the coming future with the efficient and effective utilization of our resources across the market.

BUSINESS ANALYSIS BY BUSINESS LINE

We generated revenue from (i) artist management, (ii) music IP production and operation, and (iii) pan-entertainment business for the six months ended June 30, 2023. The table below sets forth a breakdown of our revenue by business line for the periods indicated.

	For the six months ended June 30,				Period-over-Period change
	2023		2022		
	Amount	% of total revenue	Amount	% of total revenue	
	<i>(RMB in thousands, except for percentages)</i>				
	(Unaudited)		(Unaudited)		
Artist management	319,437	87.6%	435,292	89.2%	(26.6%)
Music IP production and operation	29,638	8.1%	40,450	8.3%	(26.7%)
Pan-entertainment business	15,746	4.3%	12,228	2.5%	28.8%
Total Revenue	364,821	100.0%	487,970	100.0%	(25.2%)

Artist Management

We continued to reinforce our leading position in China's artist management market during the Reporting Period. We continuously 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 six months ended June 30, 2023, we primarily generated revenue from providing services to our customers, including corporate customers, media platforms, content producers and advertising agencies, by arranging our managed artist to participate in commercial activities and provide entertainment content services.

We arrange our managed artists to participate in various commercial activities at the request of our customers, including endorsement deals, business promotion activities and other commercial activities. For the six months ended June 30, 2023, our managed artists attended various high-profile business promotion activities and other commercial activities, underscoring their substantial commercial value. Meanwhile, our managed artists have starred in a wide selection of movies, drama series, variety programs and public performances, and have gained national fame.

The revenue we generated from artist management business decreased by 26.6% from RMB435.3 million for the six months ended June 30, 2022 to RMB319.4 million for the six months ended June 30, 2023, primarily due to the decreased demand for the services provided by our managed artists as a result of the unpromising market conditions.

In the future, we will further increase the quality and quantity of our managed artists to solidify our advantage as a leading artist management company in China. We plan to enhance our core capabilities in artist training by establishing our own artist training center. Leveraging our professional and systematic Yuehua trainee program, we will continue to expand our roster of trainees with artistic potential. We plan to continue enhancing our artist operation capabilities to boost the popularity and commercial value of our managed artists and also increase our efforts in marketing and promoting our managed artists as well as recent debutants.

Music IP Production and Operation

We continued to develop our music IP production and operation business during the Reporting Period.

We maintain an extensive library of original and licensed music IPs, which is continuously expanding. As of June 30, 2023, we had built an extensive music IP library comprising more than 1,200 musical works we produced for our managed artists. For the six months ended June 30, 2023, we released nine digital singles and four digital albums, comprising 22 songs in total.

For the six months ended June 30, 2023, we generated revenue from licensing our music IPs to music streaming platforms and other music service providers, and selling digital and physical copies of our music IPs. We granted license on the music IPs in our music IP library to a wide selection of music service providers, including major music streaming platforms such as NetEase Cloud Music and Tencent Music, and telecommunication companies, for licensing fees and royalties.

The revenue we generated from music IP production and operation business decreased by 26.7% from RMB40.5 million for the six months ended June 30, 2022 to RMB29.6 million for the six months ended June 30, 2023, primarily due to a decrease in the sales of our digital singles and albums during the Reporting Period.

In the future, we will further develop our music IP production and operation business in response to the rapidly growing digital music market in China. We will continue to produce digital singles and albums for our managed artists who have developed a music career. We also intend to further expand our music IP library by acquiring the copyrights of quality musical works from copyright holders.

Pan-entertainment Business

In addition to artist management and music IP production and operation, for the six months ended June 30, 2023, we also generated a small portion of our revenue from other businesses in the pan-entertainment business, such as commercial development of virtual artists, organizing concerts for our managed artists, variety program format licensing and sales of artist-related merchandise.

We formed an AIGC company with a business partner during the Reporting Period, which will apply AIGC technology to create digital human images for artists to interact with the audience, which we believe will bring great commercial potential for our pan-entertainment business and the pan-entertainment market in China.

The revenue we generated from pan-entertainment business increased by 28.8% from RMB12.2 million for the six months ended June 30, 2022 to RMB15.7 million for the six months ended June 30, 2023, primarily due to an increase in revenue generated from the concerts we organized for our managed artists during the Reporting Period.

We will continue to explore more opportunities in the AIGC industry and diversify our offerings. We also plan to further diversify our business model and build a comprehensive culture and entertainment platform.

Our Global Footprint

Building on our market-leading position in China, we actively promoted and marketed our managed artists and our Yuehua brand in Asian markets during the Reporting Period. When our managed artists published a musical work, we simultaneously published it on multiple music streaming platforms overseas. Our musical works have been published on various overseas music streaming platforms, including Apple Music, Spotify, YouTube and KKBox, leading Chinese pop music culture trend worldwide.

Yuehua Korea is an important part of our global strategy. With its strong music production capabilities, Yuehua Korea has produced many musical works that are widely popular. In addition to Korea, we were also actively expanding our business in other parts of world during the Reporting Period. During the Reporting Period, movies starring Mr. Wang Yibo (王一博), such as “Hidden Blade (無名)” and “Born to Fly (長空之王)” were distributed in the United States, Canada, Australia, New Zealand, the United Kingdom, Ireland, Singapore, Malaysia, Thailand and Russia, and dramas starring Ms. Wu Xuanyi (吳宣儀) and Mr. Lee Do-hyun (李到晧), such as “Soul Land (斗羅大陸),” “The Glory Part 2 (黑暗榮耀第二季)” and “The Good Bad Mother (壞媽媽),” were distributed in Asian countries including Thailand, Vietnam, South Korea and Japan. These drama series and movies have been widely popular since their international distribution.

We will continue to explore the overseas markets and promote our managed artists globally. We will continue to build our team in Korea and enhance the artist operation capacities of Yuehua Korea through recruiting more professional instructors, establishing business cooperation with leading content producers and media platforms in Korea. We also plan to pursue business opportunities in other parts of the global market, such as Southeast Asia, Japan and the United States.

FINANCIAL REVIEW

Revenue

Our revenue decreased by 25.2% from RMB488.0 million for the six months ended June 30, 2022 to RMB364.8 million for the six months ended June 30, 2023, primarily due to a decrease in revenue generated from artist management.

The revenue we generated from artist management business decreased by 26.6% from RMB435.3 million for the six months ended June 30, 2022 to RMB319.4 million for the six months ended June 30, 2023, primarily due to the decreased demand for the services provided by our managed artists as a result of the unpromising market conditions.

The revenue we generated from music IP production and operation business decreased by 26.7% from RMB40.5 million for the six months ended June 30, 2022 to RMB29.6 million for the six months ended June 30, 2023, primarily due to a decrease in the sales of our digital singles and albums during the Reporting Period.

The revenue we generated from pan-entertainment business increased by 28.8% from RMB12.2 million for the six months ended June 30, 2022 to RMB15.7 million for the six months ended June 30, 2023, primarily due to an increase in revenue generated from the concerts we organized for our managed artists during the Reporting Period.

Cost of Revenue

Our cost of revenue remained relatively stable at RMB284.2 million and RMB288.7 million for the six months ended June 30, 2022 and 2023, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded (i) a gross profit of RMB203.8 million and RMB76.2 million for the six months ended June 30, 2022 and 2023, respectively; and (ii) a gross profit margin of 41.8% and 20.9% for the six months ended June 30, 2022 and 2023, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by businesses for the periods indicated.

	For the six months ended June 30,			
	2023		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(RMB in thousands, except for percentages)</i>			
	(Unaudited)		(Unaudited)	
Artist management	63,627	19.9%	180,510	41.5%
Music IP Production and operation	6,578	22.2%	17,983	44.5%
Pan-entertainment business	5,956	37.8%	5,313	43.4%
Total/Overall	<u>76,161</u>	<u>20.9%</u>	<u>203,806</u>	<u>41.8%</u>

The gross profit for artist management decreased by 64.8% from RMB180.5 million for the six months ended June 30, 2022 to RMB63.6 million for the six months ended June 30, 2023. The gross profit margin for artist management decreased from 41.5% for the six months ended June 30, 2022 to 19.9% for the six months ended June 30, 2023, primarily due to the decrease in revenue generated from and the increase in costs incurred for artist management.

The gross profit for our music IP production and operation business decreased by 63.4% from RMB18.0 million for the six months ended June 30, 2022 to RMB6.6 million for the six months ended June 30, 2023. The gross profit margin for our music IP production and operation business decreased from 44.5% for the six months ended June 30, 2022 to 22.2% for the six months ended June 30, 2023, primarily due to a decrease in revenue generated from music IP production and operation business but an increase in costs incurred for production of musical works.

The gross profit for our pan-entertainment business increased by 12.1% from RMB5.3 million for the six months ended June 30, 2022 to RMB6.0 million for the six months ended June 30, 2023. The gross profit margin for our pan-entertainment business decreased from 43.4% for the six months ended June 30, 2022 to 37.8% for the six months ended June 30, 2023, primarily due to an increase in revenue generated from the concerts we organized for our managed artists during the Reporting Period, which recorded lower gross profit margin as the cost for the concerts we organized was relatively high.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 20.7% from RMB13.9 million for the six months ended June 30, 2022 to RMB16.8 million for the six months ended June 30, 2023, primarily due to an increase in equity settled share-based payments to selling and marketing personnel during the Reporting Period.

General and Administrative Expenses

The Group's general and administrative expenses increased by 45.2% from RMB44.2 million for the six months ended June 30, 2022 to RMB64.2 million for the six months ended June 30, 2023, primarily due to an increase in equity settled share-based payments to administrative personnel during the Reporting Period.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets are primarily related to the credit risk of our trade receivables, other receivables and investments measured at amortized costs. Our net impairment losses on financial assets remained stable at RMB4.7 million and RMB4.8 million for the six months ended June 30, 2022 and 2023, respectively.

Other Income

Our other income consists of (i) government subsidies, (ii) tax credit of input tax additional deduction and (iii) rental income from investment properties. The government subsidies were mainly related to individual income tax handling fee refunds during the Reporting Period. There were no unfulfilled conditions or contingencies attached to these government grants during the Reporting Period. The tax credit of input tax additional deduction is a kind of exemptions on value-added tax granted by PRC government authorities as tax benefits applicable to certain subsidiaries of us. The rental income from investment properties is generated from rents we collect from leases of our office building in Korea which we purchased in September 2019.

The table below sets forth a breakdown of the components of our other income for the periods indicated.

	For the six months ended June 30,	
	2023	2022
	<i>(RMB in thousands)</i>	
	(Unaudited)	(Unaudited)
Tax credit of input tax additional deduction	390	1,616
Government subsidies	318	14
Rental income from investment properties	299	286
Total	<u>1,007</u>	<u>1,916</u>

Other Gains, Net

Our other gains primarily comprise (i) fair value gains from wealth management products, (ii) net exchange gains and (iii) fair value gains from a listed equity security. Our net other gains for the six months ended June 30, 2022 and 2023 were RMB10.2 million and RMB10.4 million, respectively.

The table below sets forth a breakdown of our other gains, net for the periods indicated.

	For the six months ended June 30,	
	2023	2022
	<i>(RMB in thousands)</i>	
	(Unaudited)	(Unaudited)
Fair value gains from wealth management products	6,824	5,524
Net exchange gains	441	1,383
Gains on disposal of associates	309	–
Gain on liquidation of a subsidiary	–	551
Net gains on disposal of right-of-use assets	–	21
Fair value gains from a listed equity security	–	2,716
Others	2,802	–
Total	10,376	10,195

Finance Income or Costs, Net

Our finance income consists of interest income from bank deposits and loans to third parties and a related party, while our finance costs comprise interest expenses on redemption liabilities, bank borrowings and lease liabilities. Our net finance income amounted to RMB0.7 million for the six months ended June 30, 2023, compared to net finance costs of RMB1.7 million for the six months ended June 30, 2022.

Share of Losses of Investment Accounted for Using the Equity Method

Our share of losses of investment accounted for using the equity method is primarily related to our equity investment in our associates. Our share of losses of investment accounted for using the equity method increased from RMB1.1 million for the six months ended June 30, 2022 to RMB2.7 million for the six months ended June 30, 2023, primarily due to the increased loss incurred by our associates during the Reporting Period.

Fair Value Changes of Convertible Preferred Shares

The fair value changes of convertible preferred shares are primarily related to Series A-1, A-2 and A-3 convertible preferred shares issued by our Company to certain shareholders on January 28, 2022. For the six months ended June 30, 2023, the fair value changes of convertible preferred shares amounted to RMB160.5 million. The convertible preferred shares had been re-designated from financial liabilities to equity as a result of automatic conversion into ordinary shares upon our Listing on January 19, 2023.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2023 was RMB15.2 million.

Loss for the Period

As a result of the foregoing, we recorded a loss for the period of RMB175.9 million for the six months ended June 30, 2023, compared to a profit for the period of RMB92.7 million for the six months ended June 30, 2022.

Non-IFRS Measures

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

We define adjusted net profit as profit for the period adjusted for (i) equity settled share-based payments, (ii) fair value changes of convertible preferred shares, (iii) listing expenses and (iv) interest expenses on redemption liabilities. Equity settled share-based payments consist of non-cash expenses arising from granting restricted share units to eligible individuals under our Share Incentive Plan. Fair value changes of convertible preferred shares reflect the changes in fair value of the Series A-1, A-2 and A-3 convertible preferred shares issued by our Company to certain shareholders on January 28, 2022. Listing expenses mainly include professional fees paid in relation to the Listing and the Global Offering. Interest expenses on redemption liabilities mainly refer to unwinding of interests on redemption liabilities in relation to the preferential rights that certain shareholders of Yuehua Limited are entitled to pursuant to a shareholders' agreement dated November 16, 2020. We define adjusted net profit margin as adjusted net profit divided by revenue. The table below sets forth our adjusted net profit and adjusted net profit margin for the periods indicated.

	For the six months ended June 30,	
	2023	2022
	<i>(RMB in thousands, except for percentages)</i>	
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(175,913)</u>	<u>92,733</u>
Adjusted for:		
Equity settled share-based payments	56,995	38,243
Fair value changes of convertible preferred shares	160,524	24,119
Listing expenses	8,286	10,191
Interest expenses on redemption liabilities	<u>–</u>	<u>3,406</u>
Non-IFRS measures:		
Adjusted net profit	<u>49,892</u>	<u>168,692</u>
Adjusted net profit margin	13.7%	34.6%

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss primarily comprise our investments in wealth management products, unlisted equity securities at fair value and a listed equity security at fair value.

Our financial assets at fair value through profit or loss increased by 47.4% from RMB335.8 million as of December 31, 2022 to RMB494.9 million as of June 30, 2023, primarily due to an increase in investments in wealth management products.

Trade Receivables

Our net trade receivables decreased by 11.7% from RMB129.9 million as of December 31, 2022 to RMB114.7 million as of June 30, 2023, primarily due to the decrease in demand for the services provided by our managed artists as a result of the unpromising market conditions.

As of December 31, 2022 and June 30, 2023, we made allowance for impairment of trade receivables of approximately RMB22.8 million and RMB23.1 million, respectively, which we believe were sufficient as of December 31, 2022 and June 30, 2023, respectively.

Prepayments and Other Receivables

Our prepayments decreased from RMB44.6 million as of December 31, 2022 to RMB40.3 million as of June 30, 2023, primarily due to a decrease in prepayments for listing expenses.

Our other receivables increased by 82.7% from RMB18.9 million as of December 31, 2022 to RMB34.5 million as of June 30, 2023, primarily due to an increase in deductible input value-added tax.

Investments measured at Amortized Cost

We had investments measured at amortized cost of RMB273.6 million as of June 30, 2023, primarily in relation to the wealth management products with a fixed term and a fixed interest rate that we invested in.

Restricted Cash

We did not have restricted cash as of June 30, 2023, as a result of our successful resolution and settlement of a contract dispute during the Reporting Period.

Trade Payables

Our trade payables decreased by 11.0% from RMB190.6 million as of December 31, 2022 to RMB169.6 million as of June 30, 2023, primarily due to a decrease in revenue sharing with our managed artists in relation to the decrease in revenue generated from artist management business during the Reporting Period.

Other Payables and Accruals

Our other payables and accruals decreased by 14.5% from RMB49.7 million as of December 31, 2022 to RMB42.5 million as of June 30, 2023, primarily due to a decrease in listing payables and accruals.

Financial Liabilities at Fair Value Through Profit or Loss

Our Company issued Series A-1, A-2 and A-3 convertible preferred shares to certain shareholders on January 28, 2022. Following such issuance, these convertible preferred shares were recognized as financial liabilities at fair value through profit or loss with an initial fair value of RMB2,484.4 million, while the redemption liabilities were derecognized. As of June 30, 2023, we did not have financial liabilities at fair value through profit or loss.

The convertible preferred shares have been re-designated from financial liabilities to equity as a result of automatic conversion into ordinary shares upon our Listing on January 19, 2023.

Contract Liabilities

Our contract liabilities increased by 9.9% from RMB160.2 million as of December 31, 2022 to RMB176.0 million as of June 30, 2023, primarily due to an increase in advances from newly secured commercial contracts.

Financial Position, Liquidity and Capital Resources

Our Shares were successfully listed on the Main Board of the Stock Exchange on January 19, 2023.

We have historically funded our cash requirements principally from cash generated from our business operations. After the Global Offering, we financed our capital requirements through cash generated from our business operations, the net proceeds from the Global Offering, and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB528.7 million and RMB646.8 million as of December 31, 2022 and June 30, 2023, respectively. As of June 30, 2023, we did not have restricted cash. We did not have any pledged deposits as of June 30, 2023.

We had borrowings of RMB66.3 million and RMB65.9 million as of December 31, 2022 and June 30, 2023, respectively, all of which were denominated in KRW, in relation to our secured loan from a Korean bank for the purchase of Yuehua Korea's office building in Korea in 2019. As of June 30, 2023, our borrowings were secured by certain property, plant and equipment and investment properties with floating interest rates of 4.95% to 5.23% per annum. Our Group does not have any interest rate hedging policy as of the date of this announcement.

We intend to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, our policy is to regularly monitor our liquidity risk and to maintain adequate liquid assets including cash and cash equivalents or to retain adequate financing arrangements to meet our liquidity requirements.

Gearing Ratio

Gearing ratio is calculated based on our total debt divided by our total equity as of the same dates and multiplied by 100%. Gearing ratio is not applicable as of December 31, 2022 because we recorded a total deficit as of December 31, 2022, primarily due to the recognition of convertible preferred shares we issued on January 28, 2022 as financial liabilities at fair value through profit or loss. Our gearing ratio was 6.0% as of June 30, 2023.

Significant Investments Held

Our Group did not make or hold any significant investments during the Reporting Period.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this announcement, as of June 30, 2023, we did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

Our Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the Reporting Period.

Employee and Remuneration Policy

The following table sets forth the numbers of our employees dedicated to our business and operations categorized by function as of June 30, 2023.

Function	Number of Employees	% of Total
Artist operation	37	19.4%
Artist training	37	19.4%
Artist promotion	26	13.6%
Music and Pan-entertainment Business	45	23.5%
Administration	46	24.1%
Total	191	100.0%

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

Our Company also has a pre-IPO employee Share Incentive Plan.

The total employee benefit expenses, including share-based payments, for the six months ended June 30, 2023 were RMB90.4 million, as compared to RMB64.6 million for the six months ended June 30, 2022, representing a period-over-period increase of 40.0%.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of the entities of our Group. The functional currency of our Company is HKD and our Company is exposed to foreign currency risk with respect to our Company's monetary assets and liabilities denominated in RMB. The functional currency of our subsidiaries that operate in the PRC is RMB and such PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets and liabilities denominated in USD. Since balances denominated in USD are reasonably stable with the Hong Kong dollars under the Linked Exchange Rate System, our Directors are of the opinion that our Company is not exposed to significant foreign exchange risk and that the exposure to fluctuation in exchange rates will only arise from the translation to RMB, the presentation currency of our Group. For the six months ended June 30, 2022 and 2023, our net exchange gains were RMB1.4 million and RMB0.4 million, respectively. We currently have no hedging policy with respect to foreign exchange risks. Therefore, we have not entered into any hedging transactions to manage potential fluctuation in foreign currencies. We will closely monitor our foreign exchange risks and will utilize appropriate financial tools for hedging purposes when necessary to help reduce foreign exchange risk.

Pledge of Assets

As of June 30, 2023, certain property, plant and equipment and investment properties of our Group with an aggregate carrying value of RMB14.2 million were pledged to secure the bank borrowings of our Group.

Treasury Policy

Our Group adopts a prudent financial management approach for its treasury policy to ensure that our Group's liquidity structure comprising assets, liabilities and other commitments is able to always meet its capital requirements.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities or guarantees.

Subsequent Events After the Reporting Period

On July 24, 2023, YueHua Limited and Tianjin Yuehua Music and Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司) entered into a sales and purchase agreement with the Vendor, in relation to acquisition of the Property located in Beijing with a consideration of RMB480 million. For details, please refer to the announcement of the Company dated July 24, 2023 and the circular of the Company dated August 22, 2023.

Save as disclosed above and as of the date of this announcement, there were no other significant events that might affect our Group since June 30, 2023.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	<i>Note</i>	Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	364,821	487,970
Cost of revenue	5	(288,660)	(284,164)
Gross profit		76,161	203,806
Selling and marketing expenses	5	(16,820)	(13,937)
General and administrative expenses	5	(64,176)	(44,231)
Net impairment losses on financial assets		(4,755)	(4,747)
Other income	6	1,007	1,916
Other gains, net	7	10,376	10,195
Operating profit		1,793	153,002
Finance income	8	2,898	2,758
Finance costs	8	(2,176)	(4,475)
Finance income/(costs), net		722	(1,717)
Share of losses of investments accounted for using the equity method		(2,738)	(1,140)
Fair value changes of convertible preferred shares		(160,524)	(24,119)
(Loss)/profit before income tax		(160,747)	126,026
Income tax expense	9	(15,166)	(33,293)
(Loss)/profit for the period		(175,913)	92,733
Other comprehensive income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(166)	(796)
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		62,440	(87,708)
Total comprehensive (loss)/income for the period		(113,639)	4,229
(Loss)/profit attributable to:			
Owners of the Company		(175,413)	93,803
Non-controlling interests		(500)	(1,070)
		(175,913)	92,733
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company <i>(expressed in RMB per share)</i>	11		
Basic		(0.22)	0.20
Diluted		(0.22)	0.17
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(113,139)	5,366
Non-controlling interests		(500)	(1,137)
		(113,639)	4,229

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		99,573	103,001
Right-of-use assets		9,753	10,581
Investment properties		14,187	14,353
Intangible assets		3,474	4,426
Investments accounted for using the equity method		17,679	15,078
Financial assets at fair value through profit or loss		45,546	45,546
Prepayments and other receivables		35,704	35,717
Deferred income tax assets		6,263	4,248
		232,179	232,950
Current assets			
Inventories		2,487	1,522
Trade receivables	12	114,701	129,940
Prepayments and other receivables	12	39,134	27,754
Financial assets at fair value through profit or loss		449,341	290,265
Investments measured at amortized cost		273,641	87,280
Restricted cash		–	23,900
Cash and cash equivalents		646,769	528,660
		1,526,073	1,089,321
Total assets		1,758,252	1,322,271
EQUITY			
Share capital		300	50
Share premium		1,418,617	–
Treasury shares		(4)	(4)
Reserves		(2,388,725)	(2,507,993)
Retained earnings		2,211,408	2,386,821
		1,241,596	(121,126)
Equity attributable to owners of the Company		1,241,596	(121,126)
Non-controlling interests		3,773	4,273
		1,245,369	(116,853)
Total equity/(deficit)		1,245,369	(116,853)

	<i>Note</i>	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		65,945	66,276
Lease liabilities		5,068	5,841
Financial liabilities at fair value through profit or loss		–	774,964
Contract liabilities		14,854	30,636
		85,867	877,717
Current liabilities			
Trade payables	13	169,602	190,619
Other payables and accruals	14	42,511	49,696
Financial liabilities at fair value through profit or loss		–	128,884
Contract liabilities		161,171	129,596
Current income tax liabilities		49,672	60,358
Lease liabilities		4,060	2,254
		427,016	561,407
Total liabilities		512,883	1,439,124
Total equity and liabilities		1,758,252	1,322,271

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

YH Entertainment Group (“**the Company**”) was incorporated in the Cayman Islands on June 10, 2021 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On January 19, 2023, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in artist management, music IP production and operation and pan-entertainment business in the People’s Republic of China (the “**PRC**”) and Korea. The ultimate holding company of the Company is DING GUOHUA LIMITED, a company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling shareholder is Ms. DU Hua (“**Ms. Du**” or the “**Controlling Shareholder**”), who has been controlling the group companies since their incorporation.

These condensed consolidated financial statements for the six months ended June 30, 2023 are presented in Renminbi (“**RMB**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on August 30, 2023.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standard (“**IFRS**”) issued by International Accounting Standards Board (“**IASB**”) and the requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements has been prepared under the historical cost convention, except for certain financial assets and financial liabilities (measured at fair value).

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3. SEGMENT INFORMATION

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-makers, being the executive directors of the Group.

As a result of this evaluation, the executive directors of the Group consider that the Group’s operations are operated and managed as a single segment. Accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns majority of the revenue from external customers in the PRC.

During the six months ended June 30, 2023 and 2022, all of the Group’s revenues are from contracts with customers.

As at June 30, 2023 and 2022, the Group's non-current assets other than financial instruments and deferred income tax assets were located in Mainland China and Korea as follows:

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Mainland China	37,150	41,831
Korea	110,254	105,608
	<u>147,404</u>	<u>147,439</u>

4. REVENUE

	Six months ended June 30, 2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Artist management	319,437	435,292
Music IP production and operation	29,638	40,450
Pan-entertainment business	15,746	12,228
	<u>364,821</u>	<u>487,970</u>

The timing of revenue recognition of the Group's revenue was as follows:

	Six months ended June 30, 2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Revenue at a point in time	64,200	90,747
Revenue over time	300,621	397,223
	<u>364,821</u>	<u>487,970</u>

During the six months ended June 30, 2023 and 2022, there were no customers who contributed to 10% or more of the total revenue of the Group.

5. EXPENSES BY NATURE

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue sharing for artist management business	196,571	210,600
Equity settled share-based payments	56,995	38,243
Employee benefits expenses other than equity settled share-based payments	33,418	26,353
Production costs of music content	16,469	13,246
Artist promotion costs	15,357	16,527
Listing expenses	8,286	10,191
Advertising and promotion expenses	838	854
Depreciation of property, plant and equipment	3,708	3,208
Depreciation of right-of-use assets	3,068	2,678
Amortization of intangible assets	1,010	933
Travelling expenses	4,919	1,385
Cost of concert organisation	5,502	–
Costs of inventories sold	5,163	6,744
Taxes and surcharges	1,816	1,457
Rental expenses for short-term and low-value leases	1,533	1,344
Professional fees	1,613	1,442
Depreciation of investment properties	94	90
Others	13,296	7,037
	<u>369,656</u>	<u>342,332</u>
Total cost of revenue, selling and marketing expenses, and general and administrative expenses		

6. OTHER INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax credit of input tax additional deduction	390	1,616
Government subsidies	318	14
Rental income from investment properties	299	286
	<u>1,007</u>	<u>1,916</u>

7. OTHER GAINS, NET

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value gains from wealth management products	6,824	5,524
Net exchange gains	441	1,383
Fair value gains from a listed equity security	–	2,716
Net gains on disposal of right-of-use assets	–	21
Gains on liquidation of subsidiaries	–	551
Gains on disposal of associates	309	–
Others	2,802	–
	<u>10,376</u>	<u>10,195</u>

8. FINANCE INCOME/(COSTS), NET

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income		
– Interest income from bank deposits	2,898	2,484
– Interest income from loans to third parties and a related party	–	274
	<u>2,898</u>	<u>2,758</u>
Finance costs		
– Interest expenses on bank borrowings	(2,002)	(865)
– Interest expenses on lease liabilities	(174)	(204)
– Interest expenses on redemption liabilities	–	(3,406)
	<u>(2,176)</u>	<u>(4,475)</u>
Finance income/(costs), net	<u>722</u>	<u>(1,717)</u>

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax	16,673	31,947
– Hong Kong profits tax	10	–
– Korea corporate income tax	–	1,243
Deferred income tax	(1,517)	103
Income tax expense	<u>15,166</u>	<u>33,293</u>

10. DIVIDENDS

The Board of Directors did not recommend the payment of interim dividends for the six months ended June 30, 2023.

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividends declared and settled by the Company to its ordinary shareholders	–	202,053
Interim dividends declared and paid by the Company to its ordinary shareholders	–	57,898
Dividends declared and paid by the Company to the holders of convertible preferred shares	–	139,369
	<u>–</u>	<u>399,320</u>
	<u>–</u>	<u>399,320</u>

11. (LOSSES)/EARNINGS PER SHARE

The basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2023 and 2022.

In determining the weighted average number of ordinary shares deemed to be in issue during the six months ended June 30, 2023 and 2022, 463,200,000 shares, being the number of ordinary shares issued by the Company on June 10, 2021 (date of incorporation) and also taking into account the capitalization issue that took place in January 2023, were deemed to have been allocated and issued since January 1, 2022, when computing the basic and diluted (losses)/earnings per share for the six months ended June 30, 2023 and 2022.

The weighted average number of ordinary shares and the number of convertible preferred shares used for such purpose have been retrospectively adjusted for the effects of the issue of shares in connection with the capitalization issue that took place in January 2023.

(a) **Basic (losses)/earnings per share**

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	(175,413)	93,803
Weighted average number of ordinary shares in issue	797,020,100	463,200,000
Basic (losses)/earnings per share (<i>RMB</i>)	(0.22)	0.20

(b) **Diluted (losses)/earnings per share**

The diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares pursuant to the convertible preferred shares, which were deemed to have been allotted and issued on January 1, 2022 as if the Company had been incorporated by then, and taking into account the capitalization issue that took place in January 2023. For restricted shares granted, they are contingently issuable shares and have therefore been excluded in the calculation of diluted (losses)/earnings per share as the relevant conditions for the issuance of these shares have not been satisfied.

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (<i>RMB'000</i>)	(175,413)	93,803
Adjustment for fair value changes of convertible preferred shares (<i>RMB'000</i>)	–	24,119
Adjustment for interest expenses on redemption liabilities (<i>RMB'000</i>)	–	3,406
(Loss)/profit used to determine diluted earnings per share (<i>RMB'000</i>)	(175,413)	121,328
Weighted average number of ordinary shares in issue	797,020,100	463,200,000
Adjustment for convertible preferred shares	–	249,300,000
	797,020,100	712,500,000
Diluted (losses)/earnings per share (<i>RMB</i>)	(0.22)	0.17

12. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade receivables	137,800	152,754
Less: allowance for impairment	<u>(23,099)</u>	<u>(22,814)</u>
Trade receivables, net	<u>114,701</u>	<u>129,940</u>
Deferred listing expenses	–	6,764
Other prepayments (a)	<u>40,343</u>	<u>37,825</u>
Prepayments	<u>40,343</u>	<u>44,589</u>
Loans to third parties (b)	3,805	3,652
Rental and other deposits	12,034	6,060
Other tax recoverables	15,836	9,858
Others	<u>3,668</u>	<u>68</u>
	35,343	19,638
Less: allowance for impairment	<u>(848)</u>	<u>(756)</u>
Other receivables, net	<u>34,495</u>	<u>18,882</u>
Total prepayments and other receivables	74,838	63,471
Less: non-current deposits and prepayments	<u>(35,704)</u>	<u>(35,717)</u>
Current portion	<u><u>39,134</u></u>	<u><u>27,754</u></u>

(a) As at June 30, 2023, other prepayments primarily represented prepayments for promotion services.

(b) As at June 30, 2023 and December 31, 2022, loans to third parties are unsecured and repayable on demand. All the loans are interest-free.

The Group normally allows nil to 30 days credit period to its customers. Aging analysis of trade receivables as at June 30, 2023 and December 31, 2022, based on date of recognition, is as follows:

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Aging		
Up to 3 months	57,846	76,307
3 to 6 months	28,998	28,559
6 months to 1 year	26,003	27,948
1 to 2 years	12,352	8,345
2 to 3 years	2,206	1,200
Over 3 years	10,395	10,395
	<u>137,800</u>	<u>152,754</u>

13. TRADE PAYABLES

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Trade payables	<u>169,602</u>	<u>190,619</u>

Aging analysis of trade payables as at June 30, 2023 and December 31, 2022, based on date of recognition, is as follows:

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Aging		
Up to 3 months	145,448	99,287
3 to 6 months	9,670	86,535
6 months to 1 year	6,973	2,399
Over 1 year	7,511	2,398
	<u>169,602</u>	<u>190,619</u>

The carrying amounts of the trade payables approximate their fair values due to their short-term maturities.

14. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Accrual for payroll, employee benefit and other expenses	21,500	24,887
Payables in respect of sharing in the receipts from movies and variety programs	8,703	8,703
VAT and surcharges payable	9,507	7,941
Listing expenses payable and accrual	1,535	6,879
Others	1,266	1,286
	42,511	49,696

COMPLIANCE WITH THE CG CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

After the Listing, the Company has complied with all applicable code provisions set out in the CG Code, except for a deviation from the code provision C.2.1 of the CG Code, the roles of chairperson and chief executive officer of the Company are not separate and are both performed by Ms. DU Hua. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the securities of the Company. The Shares of the Company were listed on the Main Board of the Stock Exchange on January 19, 2023, since which time the Model Code has been applicable to the Company. Having made specific enquiry to all the Directors, each of the Directors has confirmed that he/she has strictly complied with the required standards set out in the Model Code during the Reporting Period.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. FAN Hui, Mr. LU Tao and Mr. HUANG Jiuling. Mr. FAN Hui, being the chairperson of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has, together with the Board, reviewed the accounting principles and policies adopted by the Group and the unaudited consolidated condensed financial statements of the Group for the six months ended June 30, 2023. The Audit Committee considered that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2023.

USE OF PROCEEDS

The Company issued 120,060,000 Shares at HK\$4.08 which were listed on the Main Board of the Stock Exchange on January 19, 2023 and issued 1,821,000 Shares at HK\$4.08 upon the partial exercise of the Over-allotment Option, which were listed on the Main Board of the Stock Exchange on February 15, 2023. As a result, the net proceeds from the Global Offering (following partial exercise of the Over-allotment Option) were approximately HK\$398.4 million after deducting underwriting commissions and other related expenses.

The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of June 30, 2023:

Purpose	Allocation of net proceeds from the Global Offering				Expected timeline of full utilization
	Percentage of net proceeds from the Global Offering	proportion as disclosed in the Prospectus	Actual use of proceeds during the six months ended June 30, 2023	Unutilized amount as of June 30, 2023	
<i>(HK\$ million, except for percentages)</i>					
Continuing to invest in our artist operation	60.0%	239.0	16.7	222.3	
– purchase and renovation of an artist training center in China	45.0%	179.3	–	179.3	By the end of 2023 ⁽¹⁾
– artist operation and promotion in China	15.0%	59.7	16.7	43.0	By the end of 2024
Expanding our music IP library	15.0%	59.8	17.9	41.9	By the end of 2024
Expanding our pan-entertainment business	15.0%	59.8	2.0	57.8	By the end of 2024
Promote our artist performance in other countries	5.0%	19.9	–	19.9	By the end of 2024
Working capital and general corporate purposes	5.0%	19.9	–	19.9	By the end of 2024
Total	100.0%	398.4	36.6	361.8	

Note:

- (1) As disclosed in the circular of the Company dated August 22, 2023 in respect of the acquisition of the Property, after taking 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 decided to apply the net proceeds for purchase and renovation of an artist training center in the amount of approximately HKD179.3 million to partially fund the consideration for the acquisition of the Property by the end of 2023. Although there will be an advancement of the utilization timeline, as the Property will be primarily used and developed as the Company's artist training center to provide the Group's trainees and managed artists with customized training facilities and a pleasant training environment, the Company considers that 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. For further details, please refer to the section headed "Use of Proceeds" of the circular of the Company dated August 22, 2023.

Save as disclosed above, there has been no change in the intended use of the net proceeds and the expected implementation timeline as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.yuehuamusic.com. The interim report of the Company for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be published on the aforesaid websites and will be dispatched to the Shareholders in due course.

DEFINITIONS AND GLOSSARIES

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairlady”	the chairlady of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires otherwise, references herein to “China” and the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan, China
“Company”, “our Company”, “the Company” or “YH Entertainment”	YH Entertainment Group (乐华娱乐集团), an exempted company incorporated in Cayman Islands with limited liability on June 10, 2021
“Directors”	director(s) of the Company
“Global Offering”	has the meaning ascribed to it in the Prospectus

“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Korea”	The Republic of Korea
“KRW”	Korean Republic won, the lawful currency of Korea
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on January 19, 2023
“Listing Date”	the date, namely January 19, 2023, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of 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

“Over-allotment Option”	has the meaning ascribed to it in the Prospectus
“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
“Reporting Period”	the six months ended June 30, 2023
“RMB” or “Renminbi”	the lawful currency of the PRC
“Share Incentive Plan”	the share incentive plan that our Company adopted on December 10, 2021
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“Vendor”	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 Investment"	Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司), a limited liability company established in the PRC on September 24, 2021 and an indirect wholly-owned subsidiary of our Company in the PRC
"Yuehua Korea"	Yuehua Entertainment Korea Co., Ltd., a company incorporated in Korea with limited liability on August 28, 2014 and a non-wholly owned subsidiary of Yuehua Limited

"Yuehua Limited"

YueHua Entertainment Co., Ltd. (北京樂華圓娛文化傳播有限公司), a limited liability company established in the PRC on July 3, 2009 and a non-wholly owned subsidiary of Yuehua Investment

"%"

percentage

In this announcement, the terms "affiliate," "associate," "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules unless the context otherwise requires.

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

Hong Kong, August 30, 2023

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