

乐华娱乐集团

YH Entertainment Group
Interim Report
股份代號 Stock Code : 2306

2024 INTERIM REPORT

YH ENTERTAINMENT GROUP



乐华娱乐
YUE HUA
ENTERTAINMENT



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CORPORATE INFORMATION



DIRECTORS

Executive Directors

Ms. DU Hua (*Chairlady and Chief Executive Officer*)
Mr. SUN Yiding
Mr. SUN Le

Non-executive Directors

Mr. MENG Jun
Ms. YAO Lu (resigned on February 5, 2024)

Independent Non-executive Directors

Mr. FAN Hui
Mr. LU Tao
Mr. HUANG Jiuling

AUDIT COMMITTEE

Mr. FAN Hui (*Chairman*)
Mr. LU Tao
Mr. HUANG Jiuling

REMUNERATION COMMITTEE

Mr. LU Tao (*Chairman*)
Mr. SUN Yiding
Mr. HUANG Jiuling

NOMINATION COMMITTEE

Ms. DU Hua (*Chairlady*)
Mr. LU Tao
Mr. FAN Hui

JOINT COMPANY SECRETARIES

Mr. ZHANG Wensheng
Mr. CHUNG Ming Fai

AUTHORIZED REPRESENTATIVES

Mr. SUN Yiding
Mr. CHUNG Ming Fai

REGISTERED OFFICE

PO Box 309, Uglund House
Grand Cayman KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 150, Building 119
No. 27 West Dawang Road
Chaoyang District, Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1903, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands



CORPORATE INFORMATION (continued)

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

China Guangfa Bank (Beijing International
Exhibition Center Branch)
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No. 18 Xibahe Dongli
Chaoyang District
Beijing, PRC

China Merchants Bank (Tianjin Binhai Branch)
No. 33 Second Road, Binhai New District
Tianjin, PRC

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central
Hong Kong

HONG KONG LEGAL ADVISOR

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

COMPLIANCE ADVISOR

China Securities (International) Corporate
Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

STOCK CODE

2306

COMPANY'S WEBSITE

www.yuehuamusic.com

LISTING DATE

January 19, 2023



FINANCIAL HIGHLIGHTS



| | For the six months ended June 30, | | Period-over- Period change |
|------------------------------------|---|-------------|-------------------------------|
| | 2024 | 2023 | |
| | <i>(RMB in thousands, except for percentages)</i> | | |
| | (Unaudited) | (Unaudited) | |
| Revenue | 347,270 | 364,821 | (4.8%) |
| Gross profit | 89,072 | 76,161 | 17.0% |
| Gross profit margin | 25.6% | 20.9% | 22.5% |
| Operating profit | 35,197 | 1,793 | 1,863.0% |
| Profit/(Loss) before income tax | 44,013 | (160,747) | N/A |
| Profit/(Loss) for the period | 29,351 | (175,913) | N/A |
| Non-IFRS measures: | | | |
| Adjusted net profit for the period | 59,060 | 49,892 | 18.4% |



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 other 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. As of June 30, 2024, we had 76 managed artists and 65 trainees enrolled in our trainee program. Leveraging their positive public images and popularity, our managed artists have played important roles in various popular productions, such as the movies “Formed Police Unit (維和防暴隊)” and “Exhuma (破墓)”, drama series “Link Click (時光代理人)”, “I Am Nobody (異人之下)” and “Burning Flames (烈焰)”, and the variety programs “Go Fighting! (極限挑戰)”, “All-Out action (全力以赴的行動派)”, and “Asia Super Young (亞洲超星團)”. In addition, during the Reporting Period, several of our managed artists successfully held their concerts, including Mr. Wang Xi’s (王晰) nationwide concert tour and Ms. Meng Meiqi’s (孟美岐) solo concerts.

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

During the Reporting Period, we generated revenue from the investment in and commercial development of virtual artists and sales of artist-related merchandise for our pan-entertainment business.

To maintain our leading position in the area of virtual artists and pan-entertainment market, on April 19, 2024, Yuehua Limited, a wholly owned subsidiary of the Company, entered into a series of transactions with the Vendors to acquire the target assets in relation to the operation of certain virtual artist projects, including the A-SOUL project. For details, please refer to the announcements published by the Company on April 19, 2024 and July 16, 2024. With the increasing popularity of A-SOUL across China among young internet users, it is critical for the Group to keep pace with the development of internet services and information technology, which serves as the underlying technology of developing the virtual artists, so as to continually enhancing our market exposure and participation in the area of virtual artists. We believe that the acquisition of the target assets will more efficiently boost the Company’s general capability in further developing the virtual artists and exploring more market opportunities.

Our total revenue decreased from RMB364.8 million for the six months ended June 30, 2023 to RMB347.3 million during the Reporting Period, primarily due to the decrease of revenue generated from artist management. We recorded a profit of RMB29.4 million during the Reporting Period, compared to a loss of RMB175.9 million for the six months ended June 30, 2023, primarily because we incurred fair value loss of convertible preferred shares of RMB160.5 million for the six months ended June 30, 2023, while we did not record any such fair value change for the Reporting Period.

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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



BUSINESS ANALYSIS BY BUSINESS LINE

We generated revenue from (i) artist management, (ii) music IP production and operation, and (iii) pan-entertainment business during the Reporting Period. 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 |
|-----------------------------------|---|--------------------|---------|--------------------|---------------------------|
| | 2024 | | 2023 | | |
| | Amount | % of total revenue | Amount | % of total revenue | |
| | <i>(RMB in thousands, except for percentages)</i> | | | | |
| (Unaudited) | | (Unaudited) | | | |
| Artist management | 303,183 | 87.3% | 319,437 | 87.6% | (5.1%) |
| Music IP production and operation | 35,049 | 10.1% | 29,638 | 8.1% | 18.3% |
| Pan-entertainment business | 9,038 | 2.6% | 15,746 | 4.3% | (42.6%) |
| Total Revenue | 347,270 | 100.0% | 364,821 | 100.0% | (4.8%) |

Artist Management

We continued to reinforce our leading position in China's artist management market during the Reporting Period and 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.

During the Reporting Period, 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. During the Reporting Period, 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 wide popularity.

The revenue we generated from artist management business decreased by 5.1% from RMB319.4 million for the six months ended June 30, 2023 to RMB303.2 million during the Reporting Period, primarily due to a decrease in entertainment content services provided by our managed artists.

The gross profit for artist management increased by 2.4% from RMB63.6 million for the six months ended June 30, 2023 to RMB65.2 million during the Reporting Period. The gross profit margin for artist management increased from 19.9% for the six months ended June 30, 2023 to 21.5% during the Reporting Period, as the decrease in costs incurred for artist management outpaced the decrease in revenue generated from artist management.

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. With our own artist training center coming into use in the second half of 2024, our core capabilities in artist training will be enhanced and upgraded to the new level. 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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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, 2024, we had built an extensive music IP library comprising more than 1,323 musical works we produced for our managed artists. During the Reporting Period, we released five digital singles and five digital albums, comprising 22 songs in total.

During the Reporting Period, 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 for licensing fees and royalties.

The revenue we generated from music IP production and operation business increased by 18.3% from RMB29.6 million for the six months ended June 30, 2023 to RMB35.0 million during the Reporting Period, primarily due to an increase in revenue generated from licensing our music IPs to our cooperating music streaming platforms and other music service providers.

The gross profit for our music IP production and operation business increased significantly from RMB6.6 million for the six months ended June 30, 2023 to RMB17.2 million during the Reporting Period. The gross profit margin for our music IP production and operation business increased from 22.2% for the six months ended June 30, 2023 to 49.0% for the six months ended June 30, 2024, primarily due to an increase in revenue generated from music IP licensing to music streaming platforms and other music service providers, while the cost incurred for licensing our music IPs was insignificant, resulting in a relatively higher gross profit margin.

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, during the Reporting Period, we also generated revenue from pan-entertainment business, including our investment in and commercial development of virtual artists and sales of artist-related merchandise.

During the Reporting Period, we continually explored the market potential for the sales of artist-related merchandise through online and offline channels. We expect to further expand the reach of the artist-related merchandise, provide better services and deliver elevated shopping experience, which enables us to make strides along with the trending in the combination of retail and entertainment services.

To further explore the market opportunity of A-SOUL and efficiently utilize related assets we acquired from the Vendors, Yuehua Limited and Nice Future entered into a business cooperation agreement in connection with the operation of the target business, pursuant to which Nice Future and one of its wholly owned subsidiaries shall be exclusively authorized by Yuehua Limited to operate and manage related interests in A-SOUL and other virtual artists owned by Yuehua Limited. Nice Future has been an important market player in the areas of virtual artist operation with accumulated experiences over the years. We believe that the cooperation with Nice Future could not only benefit our Company, but also facilitate the professional and satisfactory operation of A-SOUL by Nice Future given its track record in developing and operating virtual artists. For details, please refer to the announcements published by the Company on April 19, 2024 and July 16, 2024, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



The revenue we generated from pan-entertainment business decreased by 42.6% from RMB15.7 million for the six months ended June 30, 2023 to RMB9.0 million for the six months ended June 30, 2024, primarily due to a decrease in revenue generated from concerts we organized.

The gross profit for our pan-entertainment business increased by 12.7% from RMB6.0 million for the six months ended June 30, 2023 to RMB6.7 million during the Reporting Period. The gross profit margin for our pan-entertainment business increased from 37.8% for the six months ended June 30, 2023 to 74.3% during the Reporting Period, primarily due to an increase in revenue generated from investment in and commercial development of virtual artists, which has a relatively higher gross profit margin.

Going forward, we will keep pace with the market trends in the virtual artist industry and continually optimize 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 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 regions across the world during the Reporting Period. 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.

During the Reporting Period, we continued to explore the overseas markets and promote our managed artists globally. Movies starring Mr. Wang Yibo (王一博), such as “One and Only (熱烈)”, “Formed Police Unit (維和防暴隊)”, “Hidden Blade (無名)”, and “Born to Fly (長空之王)” were distributed in Korea, Australia, New Zealand, the United Kingdom, Ireland and Japan. These movies have been widely popular since their international distribution. We have expanded our footprint into American entertainment market with the establishment of YH Entertainment USA, headquartered in California, the United States in September 2023. During the Reporting Period, we made endeavors to select and enroll qualified artists as our managed artists under YH Entertainment USA to explore our market opportunity and enhance our brand exposure globally. Moving forward, we will also explore business opportunities in other regions of the global market, such as Southeast Asia and Japan.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Revenue

Our revenue decreased by 4.8% from RMB364.8 million for the six months ended June 30, 2023 to RMB347.3 million during the Reporting Period, primarily due to a decrease in revenue generated from artist management.

The revenue we generated from artist management business decreased by 5.1% from RMB319.4 million for the six months ended June 30, 2023 to RMB303.2 million during the Reporting Period, primarily due to a decrease in entertainment content services provided by our managed artists.

The revenue we generated from music IP production and operation business increased by 18.3% from RMB29.6 million for the six months ended June 30, 2023 to RMB35.0 million during the Reporting Period, primarily due to an increase in revenue generated from licensing our music IPs to our cooperating music streaming platforms and other music service providers.

The revenue we generated from pan-entertainment business decreased by 42.6% from RMB15.7 million for the six months ended June 30, 2023 to RMB9.0 million during the Reporting Period, primarily due to a decrease in revenue generated from concerts we organized.

Cost of Revenue

Our cost of revenue decreased by 10.6% from RMB288.7 million for the six months ended June 30, 2023 to RMB258.2 million during the Reporting Period, primarily attributable to a decrease in (1) overall revenue generated from the operation of our business; and (2) equity settled share-based payments made to eligible participants under our Share Incentive Plan during the Reporting Period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded (i) a gross profit of RMB76.2 million and RMB89.1 million for the six months ended June 30, 2023 and 2024, respectively; and (ii) a gross profit margin of 20.9% and 25.6% for the six months ended June 30, 2023 and 2024, 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, | | | |
|-----------------------------------|---|---------------------|--------------------|---------------------|
| | 2024 | | 2023 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | <i>(RMB in thousands, except for percentages)</i> | | | |
| | (Unaudited) | | (Unaudited) | |
| Artist management | 65,176 | 21.5% | 63,627 | 19.9% |
| Music IP Production and operation | 17,185 | 49.0% | 6,578 | 22.2% |
| Pan-entertainment business | 6,711 | 74.3% | 5,956 | 37.8% |
| Total/Overall | 89,072 | 25.6% | 76,161 | 20.9% |

The gross profit for artist management increased by 2.4% from RMB63.6 million for the six months ended June 30, 2023 to RMB65.2 million during the Reporting Period. The gross profit margin for artist management increased from 19.9% for the six months ended June 30, 2023 to 21.5% during the Reporting Period, as the decrease in costs incurred for artist management outpaced the decrease in revenue generated from artist management.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



The gross profit for our music IP production and operation business increased significantly from RMB6.6 million for the six months ended June 30, 2023 to RMB17.2 million during the Reporting Period. The gross profit margin for our music IP production and operation business increased from 22.2% for the six months ended June 30, 2023 to 49.0% during the Reporting Period, primarily due to an increase in revenues generated from our music IP licensing to music streaming platforms and other music service providers, while the cost incurred for licensing our music IPs was insignificant, resulting in which has a relatively higher gross profit margin.

The gross profit for our pan-entertainment business increased by 12.7% from RMB6.0 million for the six months ended June 30, 2023 to RMB6.7 million for the six months ended June 30, 2024. The gross profit margin for our pan-entertainment business increased from 37.8% for the six months ended June 30, 2023 to 74.3% during the Reporting Period, primarily due to an increase in revenue generated from investment in and commercial development of virtual artists, which has a relatively higher gross profit margin.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 25.6% from RMB16.8 million for the six months ended June 30, 2023 to RMB21.1 million during the Reporting Period, primarily due to an increase in (1) employee benefits for selling and marketing personnel and (2) the depreciation and amortization.

General and Administrative Expenses

The Group's general and administrative expenses decreased by 30.7% from RMB64.2 million for the six months ended June 30, 2023 to RMB44.5 million during the Reporting Period, primarily because (1) we did not incur listing expenses since the Listing was completed in January 2023 and (2) equity settled share-based payments to eligible participants under our Share Incentive Plan decreased.

Net Impairment Gains/(Losses) on Financial Assets

Our net impairment gains/(losses) on financial assets are primarily related to the credit risk of our trade receivables and other receivables. We recorded reversal of impairment loss on financial assets of RMB0.9 million and impairment loss on financial assets of RMB4.8 million for the six months ended June 30, 2024 and 2023, respectively.

Other Income

Our other income consists of (i) government subsidies; (ii) rental income from investment properties; and (iii) tax credit of input tax additional deduction (if applicable). The government subsidies were unconditional and granted by the local government in recognition of our contributions 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 our Company. 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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The table below sets forth a breakdown of the components of our other income in absolute amounts and as a percentage of our total other income for the periods indicated.

| | For the six months ended June 30, | |
|--|-----------------------------------|--------------|
| | 2024 | 2023 |
| | <i>(RMB in thousands)</i> | |
| | (Unaudited) | (Unaudited) |
| Government subsidies | 10,852 | 318 |
| Rental income from investment properties | 110 | 299 |
| Tax credit of input tax additional deduction | – | 390 |
| Total | 10,962 | 1,007 |

Other (Losses)/Gains, Net

Our other gains or losses primarily comprise (i) fair value gains from unlisted funds, (ii) impairment provision for investments accounted for using the equity method, (iii) fair value losses from investments in an unlisted entity, (iv) fair value gains from wealth management products, and (v) net exchange losses or gains. Our net other losses during the Reporting Period were RMB73.0 thousand and our net other gains for the six months ended June 30, 2023 were RMB10.4 million.

The table below sets forth a breakdown of our net other (losses)/gains for the periods indicated.

| | For the six months ended June 30, | |
|--|-----------------------------------|---------------|
| | 2024 | 2023 |
| | <i>(RMB in thousands)</i> | |
| | (Unaudited) | (Unaudited) |
| Fair value gains from unlisted funds | 2,622 | – |
| Fair value gains from wealth management products | 303 | 6,824 |
| Fair value losses from investments in an unlisted equity | (890) | – |
| Impairment provision for investments accounted for using the equity method | (1,785) | – |
| Net exchange (losses)/gains | (805) | 441 |
| Net losses on disposal of right-of-use assets | (84) | – |
| Gains on disposal of an associate | – | 309 |
| Others | 566 | 2,802 |
| Total | (73) | 10,376 |



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Finance Income, Net

Our finance income consists of interest income from bank deposits, while our finance costs comprise interest expenses on bank borrowings and lease liabilities. Our net finance income increased from RMB0.7 million for the six months ended June 30, 2023 to RMB7.9 million during the Reporting Period, primarily due to an increase in interest income on bank deposits.

Share of Gains/(Losses) of Investment Accounted for Using the Equity Method

Our share of gains/(losses) of investment accounted for using the equity method is primarily related to our equity investment in our associates. Our share of gains of investment accounted for using the equity method during the Reporting Period amounted to RMB0.9 million, compared to share of losses of RMB2.7 million for the six months ended June 30, 2023, primarily due to share of gains of our investments in our associates which recorded net profits for the six months ended June 30, 2024.

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 redesignated from financial liabilities to equity as a result of automatic conversion into ordinary shares upon our Listing on January 19, 2023. As a result, we did not record any fair value changes of convertible preferred shares during the Reporting Period.

Income Tax Expense

Our income tax expense during the Reporting Period was RMB14.7 million.

Profit/(Loss) for the Period

As a result of the foregoing, we recorded a profit for the period of RMB29.4 million during the Reporting Period, compared to a loss for the period of RMB175.9 million for the six months ended June 30, 2023.

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/(loss) for the period adjusted for (i) equity settled share-based payments, (ii) fair value changes of convertible preferred shares, (iii) listing expenses and (iv) fair value changes on financial assets. Equity settled share-based payments consist of non-cash expenses arising from granting RSUs 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. Fair value changes on financial assets refer to the fair value changes from our investments in wealth management products, unlisted or listed equities and funds. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)



| | For the six months ended June 30, | |
|--|---|-------------|
| | 2024 | 2023 |
| | <i>(RMB in thousands, except for percentages)</i> | |
| | (Unaudited) | (Unaudited) |
| Profit/(Loss) for the period | 29,351 | (175,913) |
| Adjusted for: | | |
| Equity settled share-based payments | 31,744 | 56,995 |
| Fair value changes of convertible preferred shares | – | 160,524 |
| Listing expenses | – | 8,286 |
| Fair value changes of financial assets | (2,035) | – |
| Non-IFRS measures: | | |
| Adjusted net profit | 59,060 | 49,892 |
| Adjusted net profit margin | 17.0% | 13.7% |

Financial Assets at Fair Value Through Profit or Loss

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

Our financial assets at fair value through profit or loss decreased by 43.5% from RMB230.5 million as of December 31, 2023 to RMB130.2 million as of June 30, 2024, primarily due to the redemption of our wealth management products during the Reporting Period.

Trade Receivables

Our net trade receivables decreased by 23.2% from RMB95.7 million as of December 31, 2023 to RMB73.5 million as of June 30, 2024, which was generally in line with our overall business performance during the Reporting Period.

As of December 31, 2023 and June 30, 2024, we made allowance for impairment of trade receivables of approximately RMB30.4 million and RMB32.9 million, respectively, which we believe were sufficient as of December 31, 2023 and June 30, 2024, respectively.

Prepayments and Other Receivables

Our prepayments decreased from RMB519.1 million as of December 31, 2023 to RMB70.4 million as of June 30, 2024, primarily due to the conversion of our prepayment for the acquisition of property into fixed assets.

Our other receivables increased significantly from RMB15.9 million as of December 31, 2023 to RMB43.2 million as of June 30, 2024, primarily due to an increase in input value-added tax as a result of our acquisition of property, which, as applicable, will be deducted by output value-added tax in accordance with relevant tax laws.

Investments Measured at Amortized Cost

Our investments measured at amortized cost was nil as of June 30, 2024, as a result of full redemption of our investment in unsecured debt instruments during the Reporting Period.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Restricted Cash

We had restricted cash of RMB12.3 million as of June 30, 2024, as a result of the pledging of our deposits to guarantee the loans in relation to the acquisition of property.

Trade Payables

Our trade payables decreased by 3.8% from RMB149.6 million as of December 31, 2023 to RMB143.9 million as of June 30, 2024, which was generally in line with our overall business performance during the Reporting Period.

Other Payables and Accruals

Our other payables and accruals decreased by 26.4% from RMB52.3 million as of December 31, 2023 to RMB38.4 million as of June 30, 2024, primarily due to (a) the decrease in value-added tax and additional tax payable; and (b) the payment of accrued expenses for auditing.

Contract Liabilities

Our contract liabilities decreased by 12.5% from RMB197.6 million as of December 31, 2023 to RMB172.9 million as of June 30, 2024, which was generally in line with our overall business performance during the Reporting Period.

Financial Position, Liquidity and Capital Resources

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 material changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB613.4 million and RMB738.7 million and term deposits of RMB95.5 million and RMB324.7 million as of December 31, 2023 and June 30, 2024, respectively. As of December 31, 2023 and June 30, 2024, we had restricted cash of RMB12.3 million and RMB12.3 million, respectively.

We had borrowings of RMB266.2 million and RMB253.9 million as of December 31, 2023 and June 30, 2024, respectively, which comprised (i) RMB62.3 million 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; and (ii) RMB191.6 million in RMB in relation to our secured loan from Chinese banks for the acquisition of property in China in 2023. As of June 30, 2024, our borrowings were secured by certain property, plant and equipment and investment properties and restricted cash with floating interest rates of 2.76% to 5.23% per annum. Our Group does not have any interest rate hedging policy as of the date of this report.

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%. Our gearing ratio was 21.1% as of December 31, 2023. Our gearing ratio was 21.3% as of June 30, 2024.

Significant Investments Held

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Future Plans for Material Investments and Capital Assets

Save as disclosed in this report, as of June 30, 2024, 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, 2024.

| Function | Number of Employees | % of Total |
|--------------------------------------|---------------------|---------------|
| Artist operation | 45 | 21.0% |
| Artist training | 31 | 14.5% |
| Artist promotion | 23 | 10.7% |
| Music and Pan-entertainment Business | 65 | 30.4% |
| Administration | 50 | 23.4% |
| Total | 214 | 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, 2024 were RMB69.9 million, as compared to RMB90.4 million for the six months ended June 30, 2023, representing a period-over-period decrease of 22.7%.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



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 and USD. 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 Group 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, 2024, our net exchange losses were RMB0.8 million, as compared to net exchange gains of RMB0.4 million for the six months ended June 30, 2023. 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, 2024, certain property, plant and equipment and investment properties of our Group with an aggregate carrying value of RMB537.4 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, 2024, we did not have any material contingent liabilities or guarantees.

Subsequent Events After the Reporting Period

As of the date of this report, there were no other significant events that might affect our Group since June 30, 2024.



OTHER INFORMATION

CHANGES SINCE DECEMBER 31, 2023

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended December 31, 2023.

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 of the Company. The Company has adopted the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, 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 part 2 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 C3 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the securities of 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 condensed consolidated financial statements of the Group for the six months ended June 30, 2024. 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.

CHANGES IN INFORMATION OF DIRECTORS

There was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the annual report of the Company for the year ended December 31, 2023 and up to the date of this report.



OTHER INFORMATION (continued)



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

During the Reporting Period, the Company repurchased a total of 108,000 Shares on the Stock Exchange for an aggregate consideration of HKD65,579.97 before expenses. All the repurchased Shares were held as treasury shares. The repurchased Shares was effected for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

| Date of purchase | No. of Shares purchased | No. of treasury shares | Purchase consideration per share | | Aggregate consideration paid (HKD) |
|------------------|-------------------------|------------------------|----------------------------------|-------------------------|------------------------------------|
| | | | Highest price paid (HKD) | Lowest price paid (HKD) | |
| June 27, 2024 | 51,000 | 51,000 | 0.64 | 0.59 | 30,929.97 |
| June 28, 2024 | 57,000 | 57,000 | 0.62 | 0.59 | 34,650.00 |
| Total | 108,000 | 108,000 | | | 65,579.97 |

The Company intends to use the treasury shares to resell on the market prices to raise additional funds for the Company, or transfer or use for share grants under share schemes that comply with Chapter 17 of the Listing Rules and for other purposes permitted under the Listing Rules, the articles of association of the Company and the applicable laws of the Cayman Islands, which would be subject to market conditions and the Group's capital management needs.

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

INTERIM DIVIDEND

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2024.



OTHER INFORMATION (continued)

USE OF PROCEEDS

The Shares were listed on the Stock Exchange on January 19, 2023. 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, 2024:

| Purpose | Percentage of net proceeds from the Global Offering | Allocation of net proceeds from the Global Offering in the proportion as disclosed in the Prospectus | Unutilized amount as of January 1, 2024 (HK\$ million) | Actual use of proceeds during the six months ended June 30, 2024 | Unutilized amount as of June 30, 2024 | Expected timeline of full utilization |
|---|---|--|---|--|---------------------------------------|---------------------------------------|
| Continuing to invest in our artist operation | 60.0% | 239.0 | 33.6 | 12.0 | 21.6 | |
| – purchase and renovation of an artist training center in China | 45.0% | 179.3 | nil | – | nil | N/A ⁽¹⁾ |
| – artist operation and promotion in China | 15.0% | 59.7 | 33.6 | 12.0 | 21.6 | By the end of 2024 |
| Expanding our music IP library | 15.0% | 59.8 | 32.7 | 15.7 | 17.0 | By the end of 2024 |
| Expanding our pan-entertainment business | 15.0% | 59.8 | 29.9 | 13.8 | 16.1 | By the end of 2024 |
| Promote our artist performance in other countries | 5.0% | 19.9 | 16.1 | 7.1 | 9.0 | By the end of 2024 |
| Working capital and general corporate purposes | 5.0% | 19.9 | 10.5 | 5.7 | 4.8 | By the end of 2024 |
| Total | 100.0% | 398.4 | 122.8 | 54.3 | 68.5 | |

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, Beijing Jinkai Liantai Real Estate Development Co., Ltd. (北京金開連泰房地產開發有限公司) 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" in the circular of the Company dated August 22, 2023.

During the Reporting Period, 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.



OTHER INFORMATION (continued)



INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2024, the interests and short positions of the Directors and the chief executive 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), as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Shares or underlying Shares of the Company

| Name of Director | Nature of interest | Long/short position | Number of Shares | Approximate percentage of interest in the Company ⁽¹⁾ |
|------------------|---|---------------------|------------------|--|
| Ms. DU Hua | Interest in controlled corporation ⁽²⁾ | Long position | 376,350,000 | 43.17% |
| | Interest of spouse ⁽³⁾ | | 24,825,000 | 2.85% |
| Mr. SUN Yiding | Interest in controlled corporation ⁽⁴⁾ | Long position | 24,825,000 | 2.85% |
| | Interest of spouse ⁽³⁾ | | 376,350,000 | 43.17% |
| 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 (including treasury shares) of the Company as of June 30, 2024.
- (2) As of June 30, 2024, 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 June 30, 2024, 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 June 30, 2024, Mr. SUN Le is interested in the 3,225,000 underlying Shares relating to the RSUs granted to him pursuant to the Share Incentive Plan.

Save as disclosed above, as of June 30, 2024, 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.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As of June 30, 2024 and at any time during the Reporting Period, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party to any arrangement through which the Directors may benefit by purchasing shares or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.



OTHER INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best knowledge of the Directors, as of June 30, 2024, the persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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



OTHER INFORMATION (continued)



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 (including treasury shares) of the Company as of June 30, 2024.
- (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 June 30, 2024, the Directors were not aware of any persons (who were not Directors or chief executive 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.

PRE-IPO SHARE INCENTIVE PLAN

The Company approved and adopted the Share Incentive Plan on December 10, 2021 which enables the Group to grant awards to selected participants as incentives or rewards for their contribution to our Group. The Share Incentive Plan does not constitute a share scheme involving the issuance of new shares pursuant to the Chapter 17 of the Listing Rules. The Company will comply with the Chapter 17 of the Listing Rules in accordance with the transitional arrangements for existing share schemes.

Purpose

The purpose of the Share Incentive Plan is to enable the Group to grant awards to selected participants as incentives or rewards for their contribution to the Group, in particular, (i) to motivate them to optimize their performance and efficiency for the benefit of the Group; (ii) to attract and retain them whose contributions are or will be beneficial to the Group; and (iii) to encourage them to enhance cooperation and communication amongst team members for the growth of the Group.

Types of Awards

The Share Incentive Plan provides for awards of RSUs, Shares issued subject to forfeiture or repurchase by our Company until vested ("**Restricted Shares**"), and other share-based awards or rights (collectively, the "**Awards**").

Eligible Participants

The Board, in the context of the Share Incentive Plan, including any committee or person(s) duly authorized by the Board, may at its discretion, invite any person belonging to any of the following classes of eligible participants ("**Eligible Participants**"), to take up an Award to subscribe for Shares:

- (i) any full-time executives, officers, managers or employees of the Company or any of our subsidiaries or controlled affiliates, or any entities designated by them, who had attained the requisite seniority and performance grade and/or targets as may be determined by the chief executive officer of the Company from time to time;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of our subsidiaries or controlled affiliates, or any entities designated by them; or
- (iii) any advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, strategic partner, service provider or other third parties who the chief executive officer considers, in its sole discretion, has contributed or will contribute to the Group.



OTHER INFORMATION (continued)

Maximum Number of Shares

Unless otherwise duly approved by the Board, the total number of Shares underlying the Share Incentive Plan shall not exceed 5,790,000 (without taking into account the effect of Capitalization Issue), or 37,500,000 (taking into account the effect of Capitalization Issue), which represent approximately 4.3% of the total issued Shares as of date of this report.

Under the Share Incentive Plan, there is no specific limit on the maximum number of shares which may be granted to a single eligible participant.

An aggregate of 5,790,000 outstanding RSUs in respect of all 37,500,000 Shares (taking into account the effect of Capitalization Issue) available under the Share Incentive Plan had been granted to eligible participants prior to Listing, therefore, no further RSUs are available for grant under the Share Incentive Plan after Listing, and at the beginning and the end of the Reporting Period.

Performance Target

The participant may be required to achieve any performance targets as the Board may specify before the relevant Awards can be vested, exercised or settled upon the grant of an Award to an Eligible Participant.

Consideration for RSU

The price to be paid upon the vesting and settlement of RSUs granted to each grantee shall be HKD0.1 per RSU, as set out in the offer for the grant entered into between the Company and the respective grantee (the "**Grant Letter**").

Conditions of Issuance of Shares

The Eligible Participant who accepts the offer for the grant of an Award must not have committed any breach of the Share Incentive Plan and any ancillary documents that he or she has entered into with our Company in respect of the Award. The grantee must not have violated any provision of the articles of association or constitutional documents of the relevant member of our Group, or otherwise impaired the interests of our Group. The Board may, at its absolute discretion, fix any other performance targets that must be achieved and any other conditions that must be fulfilled before any Award can be vested or settled. If the conditions set out above in this clause are not satisfied, the RSUs and/or Restricted Shares shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

Vesting Schedule and Vesting Period

Pursuant to the terms of the Share Incentive Plan and the Grant Letter, and subject to the vesting conditions contained therein, the RSUs granted to each grantee shall be vested in four equal tranches as follows:

| Vesting date | RSUs to be vested |
|---------------------------------|--|
| 6 months from the Listing Date | 25% of the total RSUs granted to the grantee |
| 18 months from the Listing Date | 25% of the total RSUs granted to the grantee |
| 30 months from the Listing Date | 25% of the total RSUs granted to the grantee |
| 42 months from the Listing Date | 25% of the total RSUs granted to the grantee |



OTHER INFORMATION (continued)



Lock-up Period

In connection with any underwritten public offering by our Company of its equity securities, the grantee shall not, for a period of 180 days following the date of completion of the applicable offering, directly or indirectly, sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under the Share Incentive Plan without the prior written consent of our Company or our underwriters.

Termination

The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Incentive Plan and in such event no further Award shall be offered but the provisions of the Share Incentive Plan shall remain in force to the extent necessary to give effect to any outstanding Awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Incentive Plan. Outstanding Awards granted prior to such termination but not yet exercised, settled or released at the time of termination shall continue to be valid and exercisable or releasable in accordance with the Share Incentive Plan.

Remaining Life

The Share Incentive Plan will be valid and effective for a period of 10 years, commencing from December 10, 2021, unless terminated by resolution in general meeting or the Board pursuant to the Share Incentive Plan. As of June 30, 2024, the remaining life of the Share Incentive Plan was approximately 7.5 years.

All the Shares underlying the Share Incentive Plan have been allotted and issued and are held by ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED, being special purpose vehicles established as nominees to hold in trust. The Shares underlying the Share Incentive Plan do not count towards the public float. Pursuant to the Share Incentive Plan and the trust deeds constituting the ARK Trust and Lightstone Trust (the "**Trust Deeds**"), the Share Incentive Plan and the two trusts will be subject to the administration of the chief executive officer of the Company (the "**Administrator**") and the Administrator shall have the sole and absolute discretion to determine whether or not a grantee shall have rights to any dividends from any Shares prior to the vesting of the RSUs. In addition, pursuant to the Share Incentive Plan and the Trust Deeds, the RSUs upon release will not carry any voting rights until completion of the registration of the grantee (or any other person) as the holder and the respective trustee shall not exercise any of the voting rights attached to Shares held upon trust unless directed by authorized representative appointed by the Administrator.



OTHER INFORMATION (continued)

Movements of the RSUs under the Share Incentive Plan during the Reporting Period are set out as follows:

| Name/Category of the grantees | Date of grant | Number of RSUs | | | | | Outstanding as of June 30, 2024 | Price to be paid upon the vesting and settlement of RSUs (HKD) | Fair value of the RSUs at the date of grant ⁽⁴⁾ (RMB) |
|--|-------------------|-----------------------------------|--|---|--|---|---------------------------------|--|--|
| | | Outstanding as of January 1, 2024 | Granted during the Reporting Period ⁽¹⁾ | Vested during the Reporting Period ⁽²⁾ | Cancelled during the Reporting Period ⁽³⁾ | Lapsed during the Reporting Period ⁽³⁾ | | | |
| Director(s) of the Company | | | | | | | | | |
| Mr. SUN Le | December 10, 2021 | 375,000 | - | - | - | - | 375,000 | - | - |
| Other grantees (excluding the Director disclosed above) | | | | | | | | | |
| | December 10, 2021 | 747,500 | - | - | - | - | 747,500 | - | - |
| | March 4, 2022 | 2,696,062 | - | - | - | - | 2,696,062 | - | - |
| | December 20, 2022 | 523,938 | - | - | - | - | 523,938 | - | - |
| | | 4,342,500 | - | - | - | - | 4,342,500 | - | - |

Notes:

- (1) As no RSUs were granted during the Reporting Period, the fair value of the RSUs granted during the Reporting Period is not applicable.
- (2) As no RSUs vested during the Reporting Period, the weighted average closing price of the Shares immediately before the dates on which the RSUs were vested was not applicable.
- (3) No RSUs were cancelled or lapsed during the Reporting Period.
- (4) For accounting standard and policy adopted for such fair value measurement, please refer to Note 33 to the interim condensed consolidated financial information.

For more details of the Share Incentive Plan, please refer to "D. Share Incentive Plan" of Appendix V of the Prospectus and Note 33 to the interim condensed consolidated financial information.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended June 30, 2024



| | Note | Six months ended June 30, | |
|--|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenue | 6 | 347,270 | 364,821 |
| Cost of revenue | 7 | (258,198) | (288,660) |
| Gross profit | | 89,072 | 76,161 |
| Selling and marketing expenses | 7 | (21,131) | (16,820) |
| General and administrative expenses | 7 | (44,499) | (64,176) |
| Net impairment gains/(losses) on financial assets | | 866 | (4,755) |
| Other income | 8 | 10,962 | 1,007 |
| Other (losses)/gains, net | 9 | (73) | 10,376 |
| Operating profit | | 35,197 | 1,793 |
| Finance income | 10 | 13,281 | 2,898 |
| Finance costs | 10 | (5,393) | (2,176) |
| Finance income, net | 10 | 7,888 | 722 |
| Share of gains/(losses) of investments accounted for using the equity method | 18 | 928 | (2,738) |
| Fair value changes of convertible preferred shares | 30 | - | (160,524) |
| Profit/(loss) before income tax | | 44,013 | (160,747) |
| Income tax expense | 11 | (14,662) | (15,166) |
| Profit/(loss) for the period | | 29,351 | (175,913) |
| Other comprehensive income/(loss), net of tax | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Currency translation differences | | (3,321) | (166) |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Currency translation differences | | 7,280 | 62,440 |
| Total comprehensive income/(loss) for the period | | 33,310 | (113,639) |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS) (continued)

For the six months ended June 30, 2024

| | Note | Six months ended June 30, | |
|--|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Profit/(loss) attributable to: | | | |
| Owners of the Company | | 30,796 | (175,413) |
| Non-controlling interests | | (1,445) | (500) |
| | | 29,351 | (175,913) |
| Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share) | | | |
| Basic | 13 | 0.04 | (0.22) |
| Diluted | 13 | 0.04 | (0.22) |
| Total comprehensive income/(loss) attributable to: | | | |
| Owners of the Company | | 35,273 | (113,139) |
| Non-controlling interests | | (1,963) | (500) |
| | | 33,310 | (113,639) |

The accompanying notes are integral parts of these consolidated financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended June 30, 2024



| | Note | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 604,499 | 103,520 |
| Right-of-use assets | 16 | 41,968 | 13,564 |
| Investment properties | 15 | 7,359 | 14,141 |
| Intangible assets | 17 | 3,855 | 4,366 |
| Investments accounted for using the equity method | 18 | 14,251 | 16,608 |
| Financial assets at fair value through profit or loss | 19 | 130,192 | 123,505 |
| Prepayments and other receivables | 22 | 65,927 | 517,604 |
| Deferred income tax assets | 26 | 5,756 | 4,693 |
| | | 873,807 | 798,001 |
| Current assets | | | |
| Inventories | 20 | 7,976 | 5,026 |
| Trade receivables | 21 | 73,478 | 95,687 |
| Prepayments and other receivables | 22 | 47,685 | 17,334 |
| Investments measured at amortized cost | 23 | – | 300,754 |
| Financial assets at fair value through profit or loss | 19 | – | 107,000 |
| Restricted cash | 24 | 12,300 | 12,300 |
| Term deposits | 24 | 324,715 | 95,453 |
| Cash and cash equivalents | 24 | 738,696 | 613,371 |
| | | 1,204,850 | 1,246,925 |
| Total assets | | 2,078,657 | 2,044,926 |
| EQUITY | | | |
| Share capital | 25 | 300 | 300 |
| Share premium | | 1,418,731 | 1,418,731 |
| Treasury shares | | (63) | (3) |
| Reserves | | (2,308,706) | (2,344,927) |
| Retained earnings | | 2,276,776 | 2,245,980 |
| Equity attributable to owners of the Company | | 1,387,038 | 1,320,081 |
| Non-controlling interests | | 1,101 | 3,064 |
| Total equity | | 1,388,139 | 1,323,145 |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

For the six months ended June 30, 2024

| | Note | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|-------------------------------------|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 27 | 236,636 | 266,167 |
| Lease liabilities | 16 | 26,037 | 6,484 |
| Contract liabilities | | 21,040 | 24,576 |
| Deferred income tax liabilities | 26 | – | 1,737 |
| | | 283,713 | 298,964 |
| Current liabilities | | | |
| Borrowings | 27 | 17,237 | – |
| Trade payables | 28 | 143,897 | 149,603 |
| Other payables and accruals | 29 | 38,445 | 52,268 |
| Contract liabilities | | 151,864 | 173,054 |
| Current income tax liabilities | | 40,052 | 40,921 |
| Lease liabilities | 16 | 15,310 | 6,971 |
| | | 406,805 | 422,817 |
| Total liabilities | | 690,518 | 721,781 |
| Total equity and liabilities | | 2,078,657 | 2,044,926 |

The accompanying notes are integral parts of these consolidated financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2024



| | Note | Attributable to owners of the Company | | | | | Non-controlling interests | Total equity | |
|---|------|---------------------------------------|------------------|-----------------|--------------------|-------------------|---------------------------|----------------|------------------|
| | | Share capital | Share premium | Treasury shares | Reserves | Retained earnings | | | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| (Unaudited) | | | | | | | | | |
| As at January 1, 2024 | | 300 | 1,418,731 | (3) | (2,344,927) | 2,245,980 | 1,320,081 | 3,064 | 1,323,145 |
| Profit for the period | | - | - | - | - | 30,796 | 30,796 | (1,445) | 29,351 |
| Currency translation differences | | - | - | - | 4,477 | - | 4,477 | (518) | 3,959 |
| Total comprehensive income/(loss) for the period | | - | - | - | 4,477 | 30,796 | 35,273 | (1,963) | 33,310 |
| Transactions with owners: | | | | | | | | | |
| Equity settled share-based payments | 33 | - | - | - | 31,744 | - | 31,744 | - | 31,744 |
| Share repurchase | 25 | - | - | (60) | - | - | (60) | - | (60) |
| Total transactions with owners of the Company | | - | - | (60) | 31,744 | - | 31,684 | - | 31,684 |
| As at June 30, 2024 | | 300 | 1,418,731 | (63) | (2,308,706) | 2,276,776 | 1,387,038 | 1,101 | 1,388,139 |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2024

| | Note | Attributable to owners of the Company | | | | | | Non-controlling interests | Total equity |
|---|------|---------------------------------------|---------------|-----------------|-------------|-------------------|-----------|---------------------------|--------------|
| | | Share capital | Share premium | Treasury shares | Reserves | Retained earnings | Total | | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| (Unaudited) | | | | | | | | | |
| As at January 1, 2023 | | 50 | - | (4) | (2,507,993) | 2,386,821 | (121,126) | 4,273 | (116,853) |
| Loss for the period | | - | - | - | - | (175,413) | (175,413) | (500) | (175,913) |
| Currency translation differences | | - | - | - | 62,274 | - | 62,274 | - | 62,274 |
| Total comprehensive loss for the period | | - | - | - | 62,274 | (175,413) | (113,139) | (500) | (113,639) |
| Transactions with owners: | | | | | | | | | |
| Equity settled share-based payments | 33 | - | - | - | 56,994 | - | 56,994 | - | 56,994 |
| Conversion of convertible preferred shares into ordinary shares | 30 | 169 | 1,020,365 | - | - | - | 1,020,534 | - | 1,020,534 |
| Issuance of new shares upon listing | 25 | 81 | 398,252 | - | - | - | 398,333 | - | 398,333 |
| Total transactions with owners of the Company | | 250 | 1,418,617 | - | 56,994 | - | 1,475,861 | - | 1,475,861 |
| As at June 30, 2023 | | 300 | 1,418,617 | (4) | (2,388,725) | 2,211,408 | 1,241,596 | 3,773 | 1,245,369 |

The accompanying notes are integral parts of these consolidated financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024



| | Note | Six months ended June 30, | |
|--|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Cash flows from operating activities | | | |
| Cash generated from operations | | 45,337 | 61,453 |
| Income taxes paid | | (18,330) | (27,867) |
| Net cash generated from operating activities | | 27,007 | 33,586 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (51,577) | (716) |
| Prepayments for acquisition of assets in relation to virtual artists | | (30,000) | – |
| Purchase of intangible assets | | – | (58) |
| Payments for financial assets at fair value through profit or loss | | (4,521) | (299,825) |
| Proceeds from disposals of financial assets at fair value through profit or loss | | 107,358 | 147,573 |
| Payments for investments accounted for using the equity method | | – | (7,201) |
| Payments for term deposits with original maturity of more than three months | | (320,208) | – |
| Proceeds for term deposits with original maturity of more than three months | | 95,854 | – |
| Proceeds from disposal of investments accounted for using the equity method | | – | 2,171 |
| Advance of loans to third parties | | (476) | (1,059) |
| Repayment from loans to third parties | | – | 1,074 |
| Interest received | | 5,969 | 2,898 |
| Interest income on financial assets at amortized cost | | 17,292 | – |
| Payments for financial assets at amortized cost | | – | (280,058) |
| Proceeds from disposal of financial assets at amortized cost | | 290,492 | 89,327 |
| Net cash generated from/(used in) investing activities | | 110,183 | (345,874) |
| Cash flows from financing activities | | | |
| Interest paid for borrowings | | (5,146) | (2,002) |
| Repayments of borrowings | | (8,390) | – |
| Payment for lease liabilities – principal and interest | | (3,909) | (1,285) |
| Payments for share repurchase | | (60) | – |
| Issuance of new shares upon listing | | – | 415,167 |
| Net cash (used in)/generated from financing activities | | (17,505) | 411,880 |
| Net increase in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the period | | 613,371 | 528,660 |
| Effect of exchange rate changes on cash and cash equivalents | | 5,640 | 18,517 |
| Cash and cash equivalents at the end of the period | | 738,696 | 646,769 |

The accompanying notes are integral parts of these consolidated financial statements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2024

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 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**”), who has been controlling the group companies since their incorporation.

These condensed consolidated financial statements for the six months ended June 30, 2024 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, 2024.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six-month reporting period ended June 30, 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim report does not include all of the notes normally included in annual consolidated financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

3.1 New and amended standards and interpretations

New and amended standards adopted by the Group

The Group has applied the new and amended standards effective for the financial year beginning on January 1, 2024. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

| | |
|--------------------------------|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants |
| Amendments to IAS 1 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| Amendments to IFRS 16 | Lease Liability in Sale and Leaseback |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New and amended standards and interpretations (continued)

New and amended standards and interpretations not yet adopted by the Group

The following new standards and amendments to standards have not come into effect for the financial year beginning on January 1, 2024 and have not been early adopted by the Group.

| | | Effective for annual periods beginning on or after |
|--|---|---|
| Amendments to IAS 21 | Lack of Exchangeability | January 1, 2025 |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and Measurement of Financial Instruments | January 1, 2026 |
| Annual Improvements to IFRS Accounting Standards | Annual Improvements to IFRS Accounting Standards – Volume 11 | January 1, 2026 |
| IFRS 18 | Presentation and Disclosure in Financial Statements | January 1, 2027 |
| IFRS 19 | Subsidiaries without Public Accountability: Disclosures | January 1, 2027 |

The Group does not expect these amendments to have a material impact on its operations or financial statements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

This interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the 2023 financial statements.

There have been no material changes in the risk management policies since December 31, 2023.

4.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including borrowings and lease liabilities) less cash and cash equivalents, term deposits with original maturity of more than three months and restricted cash. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt. As at June 30, 2024 and December 31, 2023, the Group has a net cash position.

4.3 Fair value estimation

4.3.1 Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

4.3.1 Fair value hierarchy (continued)

The tables below analyze the Group's financial instruments carried at fair value as at June 30, 2024 and December 31, 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|----------------------------------|--------------------|--------------------|--------------------|------------------|
| (Unaudited) | | | | |
| As at June 30, 2024 | | | | |
| Financial assets at FVPL | | | | |
| Investments in unlisted equities | – | – | 43,780 | 43,780 |
| Investments in a listed equity | – | 14,930 | – | 14,930 |
| Investments in unlisted funds | – | – | 71,482 | 71,482 |
| | – | 14,930 | 115,262 | 130,192 |

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| As at December 31, 2023 | | | | |
| Financial assets at FVPL | | | | |
| Investments in an wealth management product | – | – | 107,000 | 107,000 |
| Investments in unlisted entities | – | – | 40,157 | 40,157 |
| Investments in a listed equity | – | 14,930 | – | 14,930 |
| Investment in unlisted funds | – | – | 68,418 | 68,418 |
| | – | 14,930 | 215,575 | 230,505 |

There was no transfer of fair value hierarchy levels during the six months ended June 30, 2024 and 2023.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

4.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no changes to valuation techniques during the six months ended June 30, 2024 and 2023.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

4.3.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including investments in wealth management products, investments in unlisted equities and investments in unlisted funds for the six months ended June 30, 2024 and 2023.

| | Financial assets at FVPL | | | Total RMB'000 |
|----------------------------------|---|---|--|------------------|
| | Investments in wealth management products RMB'000 | Investments in unlisted equities RMB'000 | Investments in unlisted funds RMB'000 | |
| (Unaudited) | | | | |
| As at January 1, 2024 | 107,000 | 40,157 | 68,418 | 215,575 |
| Additions | – | 4,521 | – | 4,521 |
| Disposals | (107,303) | (110) | – | (107,413) |
| Fair value gains/(losses) | 303 | (890) | 2,622 | 2,035 |
| Currency translation differences | – | 102 | 442 | 544 |
| As at June 30, 2024 | – | 43,780 | 71,482 | 115,262 |
| (Unaudited) | | | | |
| As at January 1, 2023 | 290,265 | 30,831 | – | 321,096 |
| Additions | 299,825 | – | – | 299,825 |
| Disposals | (147,573) | – | – | (147,573) |
| Fair value gains | 6,824 | – | – | 6,824 |
| As at June 30, 2023 | 449,341 | 30,831 | – | 480,172 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

4.3.4 Valuation process, inputs and relationships to fair value

The Group's finance department is responsible for performing valuation on these level 3 instruments for financial reporting purposes on a case by case basis. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments, external valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included financial assets being investments in wealth management products, investments in unlisted funds and investments in unlisted equities. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc.

The investments in wealth management products mainly represent the investments in wealth management products issued by the banks in the PRC with guaranteed principal and floating return rate of investments. The Group used discounted cash flows approach to determine the fair value of the financial product as at year end.

The unlisted investments represent the investments in certain privately owned companies and funds. The Group used market approach to evaluate the fair value of the unlisted investments as at each year end.

5 SEGMENT INFORMATION

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

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

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC. During the six months ended June 30, 2024 and 2023, breakdown of the total revenue by geographical location is as follows:

| | Six months ended June 30, | |
|----------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Mainland China | 315,053 | 327,056 |
| Korea | 32,217 | 37,765 |
| | 347,270 | 364,821 |

During the six months ended June 30, 2024 and 2023, all of the Group's revenues are from contracts with customers.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

5 SEGMENT INFORMATION (continued)

As at June 30, 2024 and December 31, 2023, 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, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|----------------|---|---|
| Mainland China | 601,480 | 524,377 |
| Korea | 100,452 | 107,833 |
| | 701,932 | 632,210 |

6 REVENUES

| | Six months ended June 30, | |
|-----------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Artist management | 303,183 | 319,437 |
| Music IP production and operation | 35,049 | 29,638 |
| Pan-entertainment business | 9,038 | 15,746 |
| | 347,270 | 364,821 |

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

| | Six months ended June 30, | |
|----------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenue at a point in time | 69,205 | 64,200 |
| Revenue over time | 278,065 | 300,621 |
| | 347,270 | 364,821 |

During the six months ended June 30, 2024 and 2023, there were no customers who contributed to 10% or more of the total revenue of the Group in each respective period.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



7 EXPENSES BY NATURE

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenue sharing for artist management business | 189,202 | 196,571 |
| Employee benefits expenses other than equity settled share-based payments | 38,183 | 33,418 |
| Equity settled share-based payments (Note 33) | 31,744 | 56,995 |
| Production costs of music content | 14,718 | 16,469 |
| Artist promotion costs | 11,542 | 15,357 |
| Costs of inventories sold | 4,956 | 5,163 |
| Depreciation of property, plant and equipment (Note 14) | 4,961 | 3,708 |
| Professional service fees | 4,311 | 1,613 |
| Cost of concert organisation | 3,954 | 5,502 |
| Travelling expenses | 3,075 | 4,919 |
| Depreciation of right-of-use assets (Note 16) | 3,131 | 3,068 |
| Taxes and surcharges | 2,194 | 1,816 |
| Rental expenses for short-term and low-value leases (Note 16) | 1,861 | 1,533 |
| Advertising and promotion expenses | 843 | 838 |
| Amortization of intangible assets (Note 17) | 514 | 1,010 |
| Depreciation of investment properties (Note 15) | 40 | 94 |
| Listing expenses | – | 8,286 |
| Others | 8,599 | 13,296 |
| Total cost of revenue, selling and marketing expenses, and general and administrative expenses | 323,828 | 369,656 |

8 OTHER INCOME

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Government subsidies and others | 10,852 | 318 |
| Rental income from investment properties | 110 | 299 |
| Tax credit of input tax additional deduction | – | 390 |
| | 10,962 | 1,007 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

9 OTHER (LOSSES)/GAINS, NET

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Fair value gains from unlisted funds (Note 19(b)) | 2,622 | – |
| Fair value gains from wealth management products (Note 19(a)) | 303 | 6,824 |
| Fair value losses from investments in an unlisted equity (Note 19(c)) | (890) | – |
| Impairment provision for investments accounted for using the equity method (Note 18) | (1,785) | – |
| Net exchange (losses)/gains | (805) | 441 |
| Net losses on disposal of right-of-use assets | (84) | – |
| Gains on disposal of an associate | – | 309 |
| Others | 566 | 2,802 |
| | (73) | 10,376 |

10 FINANCE INCOME, NET

| | Six months ended June 30, | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Finance income | | |
| – Interest income from bank deposits | 5,969 | 2,898 |
| – Interest income from investments measured at amortized cost | 3,000 | – |
| – Interest income from term deposits with original maturity of more than three months | 4,312 | – |
| | 13,281 | 2,898 |
| Finance costs | | |
| – Interest expenses on bank borrowings | (5,146) | (2,002) |
| – Interest expenses on lease liabilities | (247) | (174) |
| | (5,393) | (2,176) |
| Finance income – net | 7,888 | 722 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



11 INCOME TAX EXPENSE

| | Six months ended June 30, | |
|----------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Current income tax | | |
| – PRC corporate income tax | 17,468 | 16,673 |
| – Hong Kong profits tax | – | 10 |
| Deferred income tax | (2,806) | (1,517) |
| Income tax expense | 14,662 | 15,166 |

12 DIVIDENDS

The Board of Directors did not recommend the payment of dividends for the six months ended June 30, 2024 and 2023.

13 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2024 and 2023.

| | Six months ended June 30, | |
|--|---------------------------|---------------------|
| | 2024 (Unaudited) | 2023 (Unaudited) |
| Profit/(loss) attributable to owners of the Company (RMB'000) | 30,796 | (175,413) |
| Weighted average number of ordinary shares in issue (thousand) | 843,755 | 797,020 |
| Basic earnings/(loss) per share (expressed in RMB per share) | 0.04 | (0.22) |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

13 EARNINGS/(LOSS) PER SHARE (continued)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

As the Group incurred loss for the six months ended June 30, 2023, the impact of restricted share units (“RSUs”) as detailed in Note 33 was not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. During the six months ended June 30, 2024, the impact of RSUs was anti-dilutive and therefore not included in the calculation of diluted earnings per share. Accordingly, diluted earnings/(loss) per share for the six months ended June 30, 2024 and 2023 is the same as basic (earnings)/loss per share.

| | Six months ended June 30, | |
|--|---------------------------|---------------------|
| | 2024 (Unaudited) | 2023 (Unaudited) |
| Profit/(loss) used to determine diluted earnings per share (RMB'000) | 30,796 | (175,413) |
| Weighted average number of ordinary shares in issue (thousand) | 843,755 | 797,020 |
| Adjustments for share-based compensation – RSUs (thousand) | – | – |
| Weighted average number of shares for diluted earnings/(loss) per share (thousand) | 843,755 | 797,020 |
| Diluted earnings/(loss) per share (expressed in RMB per share) | 0.04 | (0.22) |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



14 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RMB'000 | Building RMB'000 | Furniture and office equipment RMB'000 | Computer equipment RMB'000 | Motor vehicles RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---------------------------------------|-----------------------------|---------------------|---|----------------------------------|------------------------------|--------------------------------------|--|------------------|
| (Unaudited) | | | | | | | | |
| At January 1, 2023 | | | | | | | | |
| Cost | 76,085 | 14,882 | 1,877 | 4,528 | 4,102 | 16,252 | - | 117,726 |
| Accumulated depreciation | - | (1,241) | (1,080) | (2,147) | (2,026) | (8,231) | - | (14,725) |
| Net book amount | 76,085 | 13,641 | 797 | 2,381 | 2,076 | 8,021 | - | 103,001 |
| Six months ended June 30, 2023 | | | | | | | | |
| Opening net book amount | 76,085 | 13,641 | 797 | 2,381 | 2,076 | 8,021 | - | 103,001 |
| Additions | - | - | - | 405 | - | 311 | - | 716 |
| Depreciation charge | - | (180) | (9) | (471) | (454) | (2,594) | - | (3,708) |
| Currency translation differences | (380) | (73) | 1 | (5) | 35 | (14) | - | (436) |
| Closing net book amount | 75,705 | 13,388 | 789 | 2,310 | 1,657 | 5,724 | - | 99,573 |
| At June 30, 2023 | | | | | | | | |
| Cost | 75,705 | 14,807 | 1,872 | 4,928 | 4,099 | 16,548 | - | 117,959 |
| Accumulated depreciation | - | (1,419) | (1,083) | (2,618) | (2,442) | (10,824) | - | (18,386) |
| Net book amount | 75,705 | 13,388 | 789 | 2,310 | 1,657 | 5,724 | - | 99,573 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

14 PROPERTY, PLANT AND EQUIPMENT (continued)

| | Freehold land RMB'000 | Building RMB'000 | Furniture and office equipment RMB'000 | Computer equipment RMB'000 | Motor vehicles RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---------------------------------------|--------------------------|---------------------|---|-------------------------------|---------------------------|-----------------------------------|-------------------------------------|------------------|
| (Unaudited) | | | | | | | | |
| At January 1, 2024 | | | | | | | | |
| Cost | 75,957 | 14,857 | 1,957 | 5,858 | 4,165 | 22,926 | - | 125,720 |
| Accumulated depreciation | - | (1,610) | (1,311) | (3,147) | (2,867) | (13,265) | - | (22,200) |
| Net book amount | 75,957 | 13,247 | 646 | 2,711 | 1,298 | 9,661 | - | 103,520 |
| Six months ended June 30, 2024 | | | | | | | | |
| Opening net book amount | 75,957 | 13,247 | 646 | 2,711 | 1,298 | 9,661 | - | 103,520 |
| Additions | - | - | 9 | 153 | 176 | 587 | 504,470 | 505,395 |
| Transfer from investment properties | 3,102 | 2,807 | - | - | - | - | - | 5,909 |
| Depreciation charge | - | (228) | (335) | (610) | (472) | (3,316) | - | (4,961) |
| Currency translation differences | (4,481) | (777) | (2) | (55) | (17) | (32) | - | (5,364) |
| Closing net book amount | 74,578 | 15,049 | 318 | 2,199 | 985 | 6,900 | 504,470 | 604,499 |
| At June 30, 2024 | | | | | | | | |
| Cost | 74,578 | 16,887 | 1,906 | 5,886 | 4,290 | 23,318 | 504,470 | 631,335 |
| Accumulated depreciation | - | (1,838) | (1,588) | (3,687) | (3,305) | (16,418) | - | (26,836) |
| Net book amount | 74,578 | 15,049 | 318 | 2,199 | 985 | 6,900 | 504,470 | 604,499 |

- (a) As at December 31, 2023 and June 30, 2024, the Group's building of RMB89,204,000 and RMB89,627,000, respectively, was secured for the Group's bank borrowings (Note 27).
- (b) As at June 30, 2024, the Group's construction in progress represented buildings under construction located in the PRC and construction in progress of RMB440,367,000 was secured for the Group's bank borrowings (Note 27).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



15 INVESTMENT PROPERTIES

| | Building RMB'000 | Freehold land RMB'000 | Total RMB'000 |
|---|---------------------|--------------------------|------------------|
| (Unaudited) | | | |
| Six months ended June 30, 2023 | | | |
| Opening net book amount | 6,902 | 7,451 | 14,353 |
| Depreciation charge | (94) | – | (94) |
| Currency translation differences | (34) | (38) | (72) |
| Closing net book amount | 6,774 | 7,413 | 14,187 |
| At June 30, 2023 | | | |
| Cost | 7,492 | 7,413 | 14,905 |
| Accumulated amortization | (718) | – | (718) |
| Net book amount | 6,774 | 7,413 | 14,187 |
| (Unaudited) | | | |
| Six months ended June 30, 2024 | | | |
| Opening net book amount | 6,703 | 7,438 | 14,141 |
| Transfer to property, plant and equipment | (2,807) | (3,102) | (5,909) |
| Depreciation charge | (40) | – | (40) |
| Currency translation differences | (394) | (439) | (833) |
| Closing net book amount | 3,462 | 3,897 | 7,359 |
| At June 30, 2024 | | | |
| Cost | 4,316 | 3,897 | 8,213 |
| Accumulated amortization | (854) | – | (854) |
| Net book amount | 3,462 | 3,897 | 7,359 |

As at December 31, 2023 and June 30, 2024, the Group's investment properties of RMB14,141,000 and RMB7,359,000, respectively, was secured for the Group's bank borrowings (Note 27).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

16 LEASES

(a) Amounts recognized in the statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|----------------------------|---|---|
| Right-of-use assets | | |
| – Buildings | 40,741 | 11,871 |
| – Motor vehicles | 1,227 | 1,693 |
| | 41,968 | 13,564 |
| Lease liabilities | | |
| – Current | (15,310) | (6,971) |
| – Non-current | (26,037) | (6,484) |
| | (41,347) | (13,455) |

(b) Amounts recognized in profit or loss

The consolidated statements of comprehensive income/(loss) show the following amounts relating to leases:

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Depreciation charge of right-of-use assets | | |
| – Buildings | 2,783 | 2,465 |
| – Motor vehicles | 348 | 603 |
| Interest expense (included in finance costs) (Note 10) | 247 | 174 |
| Expense relating to short-term and low-value leases (Note 7) | 1,861 | 1,533 |

The Group leases certain offices and motor vehicles. Rental contracts for offices are typically made for fixed periods of 24 months to 108 months. Rental contracts for motor vehicles are typically made for fixed periods of 48 months to 60 months.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



16 LEASES (continued)

(c) Amounts recognized in consolidated statements of cash flows

| | Six months ended June 30, | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Cash outflows from operating activities | 1,935 | 1,533 |
| Cash outflows from financing activities | 3,909 | 1,285 |

(d) Variable lease payments

No variable payment terms are contained in the leases.

(e) Extension and termination options

Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

(f) Residual value guarantees

No residual value guarantees are provided in relation to leases.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

17 INTANGIBLE ASSETS

| | Software RMB'000 | Music copyrights RMB'000 | Total RMB'000 |
|---------------------------------------|---------------------|--------------------------------|------------------|
| At January 1, 2023 | | | |
| Cost | 596 | 12,348 | 12,944 |
| Accumulated amortization | (181) | (8,337) | (8,518) |
| Net book amount | 415 | 4,011 | 4,426 |
| (Unaudited) | | | |
| Six months ended June 30, 2023 | | | |
| Opening net book amount | 415 | 4,011 | 4,426 |
| Additions | 58 | – | 58 |
| Amortization charge | (100) | (910) | (1,010) |
| Closing net book amount | 373 | 3,101 | 3,474 |
| At June 30, 2023 | | | |
| Cost | 655 | 12,348 | 13,003 |
| Accumulated amortization | (282) | (9,247) | (9,529) |
| Net book amount | 373 | 3,101 | 3,474 |
| At January 1, 2024 | | | |
| Cost | 1,371 | 7,831 | 9,202 |
| Accumulated amortization | (403) | (4,433) | (4,836) |
| Net book amount | 968 | 3,398 | 4,366 |
| (Unaudited) | | | |
| Six months ended June 30, 2024 | | | |
| Opening net book amount | 968 | 3,398 | 4,366 |
| Amortization charge | (207) | (307) | (514) |
| Currency translation differences | 3 | – | 3 |
| Closing net book amount | 764 | 3,091 | 3,855 |
| At June 30, 2024 | | | |
| Cost | 1,371 | 7,831 | 9,202 |
| Accumulated amortization | (607) | (4,740) | (5,347) |
| Net book amount | 764 | 3,091 | 3,855 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Six months ended June 30, | |
|--------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning of the period | 16,608 | 15,078 |
| Additions | – | 7,201 |
| Disposal | (1,500) | (1,862) |
| Share of gains/(losses) | 928 | (2,738) |
| Impairment | (1,785) | – |
| At the end of the period | 14,251 | 17,679 |

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|---|---|---|
| Current portion | | |
| Investments in wealth management products (a) | – | 107,000 |
| Non-current portion | | |
| Investments in unlisted funds (b) | 71,482 | 68,418 |
| Investments in unlisted equities (c) | 43,780 | 40,157 |
| Investment in a listed equity (d) | 14,930 | 14,930 |
| | 130,192 | 123,505 |
| | 130,192 | 230,505 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Investments in wealth management products

Movements of investments in wealth management products were as follows:

| | Six months ended June 30, | |
|--------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning of the period | 107,000 | 290,265 |
| Additions | – | 299,825 |
| Disposals | (107,303) | (147,573) |
| Fair value changes (Note 9) | 303 | 6,824 |
| At the end of the period | – | 449,341 |

As at December 31, 2023, the balance represented investments related to acquisition of principal-guaranteed and interest-bearing transferrable certificate of deposits issued by a large and reputable PRC commercial bank. The investments of RMB107,000,000 have been received in January 2024.

(b) Investments in unlisted funds

Movements of investments in unlisted funds were as follows:

| | Six months ended June 30, | |
|----------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning of the period | 68,418 | – |
| Fair value changes (Note 9) | 2,622 | – |
| Currency translation differences | 442 | – |
| At the end of the period | 71,482 | – |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(c) Investments in unlisted equities

The Group's investments in unlisted equities included in financial assets at FVPL represent the investments in certain privately owned companies. For the fair value estimation, please refer to Note 4.3 for details.

Movements of investments in unlisted equities included in financial assets at FVPL were as follows:

| | Six months ended June 30, | |
|----------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning of the period | 40,157 | 30,831 |
| Additions | 4,521 | – |
| Disposals | (110) | – |
| Fair value changes (Note 9) | (890) | – |
| Currency translation differences | 102 | – |
| At the end of the period | 43,780 | 30,831 |

(d) Investment in a listed equity

The Group's investment in a listed equity included in financial assets at FVPL represent the investment in a public company. For the fair value estimation, please refer to Note 4.3 for details.

Movements of investment in a listed equity included in financial assets at FVPL were as follows:

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning and end of the period | 14,930 | 14,715 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

20 INVENTORIES

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|---|---|---|
| Artist-related merchandises and other materials | 7,976 | 5,026 |

No write-downs of inventories to net realizable value were charged to the consolidated statements of comprehensive income/(loss) during the six months ended June 30, 2024 and 2023.

21 TRADE RECEIVABLES

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|--------------------------------|---|---|
| Trade receivables | 106,351 | 126,052 |
| Less: allowance for impairment | (32,873) | (30,365) |
| Trade receivables – net | 73,478 | 95,687 |

The Group normally allows nil to 30 days credit period to its customers. Aging analysis of trade receivables as at June 30, 2024 and December 31, 2023, based on date of recognition, is as follows:

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|--------------------|---|---|
| Up to 3 months | 42,000 | 77,102 |
| 3 to 6 months | 14,112 | 9,381 |
| 6 months to 1 year | 16,402 | 15,656 |
| 1 to 2 years | 11,687 | 5,362 |
| 2 to 3 years | 3,621 | 6,957 |
| Over 3 years | 18,529 | 11,594 |
| | 106,351 | 126,052 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



22 PREPAYMENTS AND OTHER RECEIVABLES

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|--|---|---|
| Prepayment for acquisitions of assets | 30,000 | 480,011 |
| Other prepayments | 40,431 | 39,055 |
| Prepayments | 70,431 | 519,066 |
| Loans to third parties | 4,402 | 3,926 |
| Rental and other deposits | 3,840 | 4,576 |
| Other tax recoverable | 34,153 | 5,286 |
| Others | 1,306 | 2,471 |
| | 43,701 | 16,259 |
| Less: allowance for impairment | (520) | (387) |
| Other receivables – net | 43,181 | 15,872 |
| Total prepayments and other receivables | 113,612 | 534,938 |
| Less: Non-current deposits and prepayments | (65,927) | (517,604) |
| Current portion | 47,685 | 17,334 |

23 INVESTMENTS MEASURED AT AMORTIZED COST

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|---------------------------------------|---|---|
| Investments in debt instruments | – | 304,315 |
| Less: allowance for impairment | – | (3,561) |
| Investments in debt instruments – net | – | 300,754 |

In 2023, for the purpose of corporate cash management, the Group invested in unsecured debt instruments issued by several independent third-party private companies primarily engaged in investment-related activities. These debt instruments carried an interest rate of 5.5% or 6% per annum and were due for repayment within one year.

These third-party private companies are independent of each other. None of the aforesaid individual investments exceeds a value of 5% or more of the Group's total assets as at December 31, 2023.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

24 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|--|---|---|
| Cash at bank and on hand | 831,455 | 721,124 |
| Cash held at other financial institutions | 244,256 | – |
| | 1,075,711 | 721,124 |
| Less: | | |
| Term deposits with original maturity of more than three months | (324,715) | (95,453) |
| Restricted cash | (12,300) | (12,300) |
| Cash and cash equivalents | 738,696 | 613,371 |
| Maximum exposure to credit risk | 1,075,711 | 721,124 |

25 SHARE CAPITAL

Authorised:

| | Number of ordinary shares | Nominal value of ordinary shares USD |
|--|------------------------------|--|
| (Unaudited) | | |
| As at January 1, 2023 | 500,000,000 | 50,000 |
| Effect of capitalization issue | 1,500,000,000 | 150,000 |
| As at June 30, 2023 | 2,000,000,000 | 200,000 |
| (Unaudited) | | |
| As at January 1, 2024 and June 30, 2024 | 2,000,000,000 | 200,000 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



25 SHARE CAPITAL (continued)

Issued:

| | Number of shares | Nominal value USD | Share capital RMB'000 |
|---|--------------------|----------------------|--------------------------|
| (Unaudited) | | | |
| As at January 1, 2023 | 77,300,865 | 7,730 | 50 |
| Issuance of new shares upon listing | 121,881,000 | 12,188 | 81 |
| Conversion of convertible preferred shares into ordinary shares | 249,300,000 | 24,930 | 169 |
| Capitalization issue | 423,399,135 | 42,340 | – |
| Sub-total | 871,881,000 | 87,188 | 300 |
| Less: Treasury shares for restricted share unit scheme | (37,500,000) | (3,750) | – |
| As at June 30, 2023 | 834,381,000 | 83,438 | 300 |
| (Unaudited) | | | |
| As at January 1, 2024 | 871,881,000 | 87,188 | 300 |
| Share repurchase | (108,000) | (8) | – |
| Sub-total | 871,773,000 | 87,180 | 300 |
| Less: Treasury shares for restricted share unit scheme | (28,125,000) | (2,813) | – |
| As at June 30, 2024 | 843,648,000 | 84,367 | 300 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

26 DEFERRED INCOME TAX

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|---|---|---|
| Deferred income tax assets: | | |
| – Deferred income tax assets to be recovered after more than 12 months | 5,911 | 1,450 |
| – Deferred income tax assets to be recovered within 12 months | 9,543 | 6,522 |
| | 15,454 | 7,972 |
| Set-off of deferred income tax liabilities pursuant to set-off provision | (9,698) | (3,279) |
| Net deferred income tax assets | 5,756 | 4,693 |
| Deferred income tax liabilities: | | |
| – Deferred income tax liabilities to be recovered after more than 12 months | 6,360 | 1,957 |
| – Deferred income tax liabilities to be recovered within 12 months | 3,338 | 3,059 |
| | 9,698 | 5,016 |
| Set-off of deferred income tax assets pursuant to set-off provision | (9,698) | (3,279) |
| Net deferred income tax liabilities | – | 1,737 |

27 BORROWINGS

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|--|---|---|
| Current | | |
| Current portion of long-term RMB bank borrowings, secured (a) | 17,237 | – |
| Non-current | | |
| Long-term RMB bank borrowings, secured (a) | 174,373 | 200,000 |
| Long-term Korean Republic Won ("KRW") bank borrowings, secured (b) | 62,263 | 66,167 |
| | 236,636 | 266,167 |
| | 253,873 | 266,167 |

- (a) As at June 30, 2024 and December 31, 2023, the Group's RMB bank borrowings was secured by the properties (Note 14), as well as deposit of RMB12,300,000. These bank borrowings carried a fixed interest rate of 3.6% per annum.
- (b) As at June 30, 2024 and December 31, 2023, the Group's KRW bank borrowings was secured by certain assets, including property, plant and equipment and investment properties. These bank borrowings carried a floating interest rate ranging from 2.76% to 5.23% per annum.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



28 TRADE PAYABLES

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|----------------|---|---|
| Trade payables | 143,897 | 149,603 |

Aging analysis of trade payables as at June 30, 2024 and December 31, 2023, based on date of recognition, is as follows:

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|--------------------|---|---|
| Up to 3 months | 101,357 | 89,212 |
| 3 to 6 months | 30,470 | 45,094 |
| 6 months to 1 year | 3,533 | 4,300 |
| Over 1 year | 8,537 | 10,997 |
| | 143,897 | 149,603 |

29 OTHER PAYABLES AND ACCRUALS

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|---|---|---|
| Accrual for payroll, employee benefit and other expenses | 22,370 | 23,310 |
| Payables in respect of sharing in the receipts from movies and variety programs | 8,703 | 8,703 |
| VAT and surcharges payable | 4,824 | 11,079 |
| Payables for investments accounted for using the equity method | – | 1,500 |
| Others | 2,548 | 7,676 |
| | 38,445 | 52,268 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial liabilities at fair value through profit or loss represented convertible preferred shares issued by the Company, the movements are set out as below:

| | Six months ended June 30, | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning of the period | – | 903,848 |
| Fair value changes | – | 160,524 |
| Conversion of convertible preferred shares into ordinary shares | – | (1,020,534) |
| Currency translation differences | – | (43,838) |
| At the end of the period | – | – |

31 COMMITMENTS

(a) Capital commitments

The Group mainly has capital commitments with respect to property, plant and equipment. Significant capital expenditure contracted for but not recognised as liabilities were as follows:

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|--------------------------|---|---|
| Construction in progress | 11,875 | – |
| Leasehold improvements | – | 288 |
| | 11,875 | 288 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



32 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following companies are related parties of the Group that had balances and/or transactions with the Group.

| Name of the related parties | Relationship with the Group |
|---|---|
| CMC and its subsidiaries (collectively "CMC Group") | CMC as a shareholder of the Company with the right to nominate an individual to represent CMC as a director of the Company, and CMC's subsidiaries |
| Quantum Jump's fellow subsidiaries under the common control of the same ultimate shareholder (collectively "Quantum Jump's fellow subsidiaries") | Quantum Jump as a shareholder of the Company with the right to nominate an individual to represent Quantum Jump as a director of the Company, and fellow subsidiaries of Quantum Jump under the common control of the same ultimate shareholder |
| Alibaba Pictures Group Limited and its subsidiaries, and its fellow subsidiaries under the common control of the same ultimate shareholder (collectively "APG") | Dongyang Alibaba Pictures as a shareholder of the Company with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of the Company, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder |
| Beijing Wuyin Digital Technology Co., Ltd. ("Wuyin Digital") 北京吾音数字科技有限公司 | An associate of the Group owned as to 20.0% by Tianjin Yihua |

The following related party transactions were carried out with related parties:

(a) Transactions with related parties

| | Six months ended June 30, | |
|------------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| (i) Revenue: | | |
| APG | 8,517 | 19,700 |
| CMC Group | 3,835 | 4,878 |
| Quantum Jump's fellow subsidiaries | 2,886 | 5,584 |
| Wuyin Digital | – | 16 |
| | 15,238 | 30,178 |
| (ii) Cost of revenue: | | |
| Quantum Jump's fellow subsidiaries | – | 1,815 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

| | As at June 30, 2024 RMB'000 (Unaudited) | As at December 31, 2023 RMB'000 (Audited) |
|------------------------------------|---|---|
| Trade receivables: | | |
| Quantum Jump's fellow subsidiaries | – | 6,771 |

(c) Key management personnel compensation

| | Six months ended June 30, | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Wages, salaries and bonuses | 2,220 | 2,143 |
| Pension costs – defined contribution plans | 107 | 127 |
| Other social security costs, housing benefits and other employee benefits | 196 | 185 |
| Equity settled share-based payments | 6,298 | 7,758 |
| | 8,821 | 10,213 |

33 EQUITY SETTLED SHARE-BASED PAYMENTS

2021 share incentive plan of the Company (the “2021 Share Incentive Plan”)

On December 10, 2021, the Company adopted the 2021 Share Incentive Plan, pursuant to which the maximum number of shares in respect of which awards may be granted shall not exceed 5,790,000 shares.

On the same day, the board of directors of the Company passed a resolution, pursuant to which an aggregate of 1,542,500 ordinary shares were issued to ARK Trust (Hong Kong) Limited, a trustee for the administration of the 2021 Share Incentive Plan. Meanwhile, the Company granted 1,542,500 RSUs to eligible participants (the “Grantees”), representing ordinary shares of par value USD0.0001 each in the share capital of the Company.

On March 4, 2022, the board of directors of the Company passed a resolution, pursuant to which an aggregate of 4,247,500 ordinary shares of the Company were issued to Lightstone Trust (Hong Kong) Limited, a trustee for the administration of the 2021 Share Incentive Plan. On the same day, 3,594,750 RSUs had been granted to the Grantees. On December 20, 2022, 652,750 RSUs had been granted to the Grantees.

The aforementioned RSUs awarded on December 10, 2021, March 4, 2022 and December 20, 2022 are subject to a vesting scale in tranches from the grant date over certain period of employment with the Group or period of service to the Group, on the condition that employees remain employed and suppliers continue to provide services to the Group without any performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2024



33 EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

2021 share incentive plan of the Company (the “2021 Share Incentive Plan”) (continued)

Details of RSUs are as follows:

| Grant date | Number of RSUs | Vesting condition |
|-------------------|----------------|---|
| December 10, 2021 | 1,542,500 | 25% are to be vested 6 months from the Listing Date 25% are to be vested 18 months from the Listing Date 25% are to be vested 30 months from the Listing Date 25% are to be vested 42 months from the Listing Date |
| March 4, 2022 | 3,594,750 | 25% are to be vested 6 months from the Listing Date 25% are to be vested 18 months from the Listing Date 25% are to be vested 30 months from the Listing Date 25% are to be vested 42 months from the Listing Date |
| December 20, 2022 | 652,750 | 25% are to be vested 6 months from the Listing Date 25% are to be vested 18 months from the Listing Date 25% are to be vested 30 months from the Listing Date 25% are to be vested 42 months from the Listing Date |

The exercise price is HKD0.1 per share and will be paid by the Grantees upon the vesting and settlement of each of the RSUs.

The share-based compensation expenses recognized during the six months ended June 30, 2024 and 2023 were summarized in the following table:

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Share-based compensation expenses for eligible individuals | 31,744 | 56,995 |

34 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at June 30, 2024.

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On April 19, 2024, a series of asset transfer agreements were entered into between Yuehua Limited, a subsidiary of the Company, and several third-party companies to purchase assets in relation to virtual artists at the cash consideration of RMB30 million. The aforesaid transaction was completed subsequently in July 2024.



DEFINITIONS AND GLOSSARY

In this report, 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 C1 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 report 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 |
| “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, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “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 |



DEFINITIONS AND GLOSSARY (continued)



| | |
|-------------------------|--|
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules |
| “Nice Future” | Nice Future (Beijing) Culture Communication Co., Ltd.* (尼斯未來(北京)文化傳播有限公司), a limited liability company established in the PRC on July 7, 2021 |
| “Over-allotment Option” | has the meaning ascribed to it in the Prospectus |
| “Prospectus” | the prospectus of the Company published on December 30, 2022 |
| “Reporting Period” | the six months ended June 30, 2024 |
| “RMB” or “Renminbi” | the lawful currency of the PRC |
| “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 |
| “Share Incentive Plan” | the share incentive plan that our Company adopted on December 10, 2021 |
| “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 |
| “Vendors” | containing (1) Hangzhou Kanchao Information Consulting Co., Ltd.* (杭州看潮信息諮詢有限公司), a limited liability company established in the PRC on March 22, 2019; (2) Beijing Zitiao Network Technology Co., Ltd.* (北京字跳網絡技術有限公司), a limited liability company established in the PRC on October 15, 2018; and (3) Douyin Vision Co., Ltd.*, a limited liability company established in the PRC on July 25, 2012 |
| “Yuehua Korea” | Yuehua Entertainment Korea Co., Ltd., a company incorporated in the Republic of Korea on August 28, 2014 and a non-wholly owned subsidiary of Yuehua Limited |
| “Yuehua Limited” | YueHua Entertainment Co., Ltd. (北京樂華圓娛文化傳播有限公司), a limited liability company established in the PRC on July 3, 2009 and a non-wholly owned subsidiary of Yuehua Investment |
| “%” | percentage |

* *the English translation of the Chinese name is for information purpose only and should not be regarded as the official English translation of such Chinese name.*

In this report, 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.