乐华娱乐集团
YH Entertainment Group
Annual Report
股份代號 Stock Code : 2306

2023
年報

ANNUAL REPORT
YH Entertainment Group

乐华娱乐
YUE HUA
ENTERTAINMENT

CONTENTS

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 (appointed on June 28, 2023)
Ms. YAO Lu (resigned on February 5, 2024)
Mr. MENG Qingguang (resigned on June 28, 2023)
Ms. ZHAO Wenjie (resigned on June 28, 2023)

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, Ugland 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)
First Floor, Zhongjian Building
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

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

We are also dedicated to the development of our music IP production and operation business. During the Reporting Period, we successfully released 14 digital singles and 10 digital albums covering a diverse range of genres, which enjoyed widespread popularity.

Moreover, we expect to explore more pan-entertainment opportunities in the future driven by the growth of YH SPACE, an interactive store for sales of artist-related merchandise. Since its opening in September 2023, YH SPACE has become a go-to destination for shopping and leisure activities. People can find items they are interested in there, from artist-related merchandise to physical albums, closely interact with our managed artists, have fun at the exciting skate park, or take breaks at the cozy café in YH SPACE. The operation of YH SPACE not only diversifies our connections and interactions with the audience but also marks a milestone in our venture to make strides along with the trending combination of entertainment and retail.

During the Reporting Period, our commitment to live performances was strongly highlighted by the Yuehua Family Concert in Macau on July 22, 2023. The concert featured performances from our managed artists, including Mr. Wang Yibo (王一博), Mr. Li Wenhan (李汶翰), among others, showcasing their varied talents across four distinct themes and delivering an unforgettable experience to our audience. Furthermore, many of our artists have successfully held their solo concerts, including Mr. Wang Xi (王晰), Mr. Zhu Zhengting (朱正廷) and Mr. Huang Minghao (黃明昊).

To further develop our pan-entertainment business, we formed an AI-generated content ("**AIGC**") company with a business partner during the Reporting Period. With application of the AIGC technology, this company will focus on creating digital human images for artists to interact with the audience, which we believe will bring great commercial potential for our pan-entertainment business and enhance our market competitiveness in China's pan-entertainment market.

Our total revenue decreased from RMB980.3 million for the year ended December 31, 2022 to RMB755.7 million for the year ended December 31, 2023, primarily due to a decrease in revenue generated from artist management. Accordingly, we recorded loss of RMB142.6 million for the year ended December 31, 2023, compared to profit of RMB1,725.2 million for the year ended December 31, 2022, primarily due to the fair value loss of convertible preferred shares of RMB160.5 million incurred in 2023, while we recorded fair value gain of convertible preferred shares of RMB1,582.0 million in 2022.

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

BUSINESS ANALYSIS BY BUSINESS LINE

We generated revenue from (i) artist management, (ii) music IP production and operation, and (iii) pan-entertainment business during the Reporting Period. The table below sets forth a breakdown of our revenue by business line for the years indicated.

	For the year ended December 31,				
	2023		2022		
	Amount	% of total revenue	Amount	% of total revenue	Year-on-Year change
	(RMB in thousands, except for percentages)				
Artist management	**662,878**	**87.7%**	851,604	86.9%	(22.2%)
Music IP production and operation	**70,299**	**9.3%**	98,610	10.1%	(28.7%)
Pan-entertainment business	**22,504**	**3.0%**	30,040	3.0%	(25.1%)
Total Revenue	**755,681**	**100.0%**	980,254	100.0%	(22.9%)

Artist Management

We continued to reinforce our leading position in China's artist management market during the Reporting Period. We continuously identify candidates with high artistic potential to build a robust pipeline of trainees and provide comprehensive and high-quality training classes to such trainees.

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 22.2% from RMB851.6 million for the year ended December 31, 2022 to RMB662.9 million for the year ended December 31, 2023, primarily due to the decreased demand from customers for our managed artists' services because our business partners tightened their budgets for endorsement deals and business promotion activities.

The gross profit for artist management decreased by 55.4% from RMB295.9 million for the year ended December 31, 2022 to RMB132.0 million for the year ended December 31, 2023. The gross profit margin for artist management decreased from 34.7% for the year ended December 31, 2022 to 19.9% for the year ended December 31, 2023, primarily due to (i) a decrease in revenue generated from artist management business and (ii) an increase in cost of revenue mainly as a result of increased costs of concert organization for our managed artists.

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 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.

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 December 31, 2023, we had built an extensive music IP library comprising more than 1,290 musical works we produced for our managed artists. During the Reporting Period, we released 14 digital singles and 10 digital albums, comprising 72 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 licensed the music IPs in our music IP library to a wide selection of music service providers, including major music streaming platforms such as NetEase Cloud Music and Tencent Music, and telecommunication companies, for licensing fees and royalties.

The revenue we generated from music IP production and operation business decreased by 28.7% from RMB98.6 million for the year ended December 31, 2022 to RMB70.3 million for the year ended December 31, 2023, primarily due to a decrease in the sales of our digital singles and albums.

The gross profit for our music IP production and operation business decreased by 39.7% from RMB47.1 million for the year ended December 31, 2022 to RMB28.4 million for the year ended December 31, 2023. The gross profit margin for our music IP production and operation business decreased from 47.8% for the year ended December 31, 2022 to 40.4% for the year ended December 31, 2023, as the decrease in the revenue from music IP production outpaced the decrease in the production costs of music content.

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 a small portion of our revenue from other businesses in the pan-entertainment business, such as commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise.

During the Reporting Period, we initiated the operation of YH SPACE, an interactive store for sales of artist-related merchandise. Since its opening in September 2023, YH SPACE has become a go-to destination for shopping and leisure activities. People can find items they are interested in there, from artist-related merchandise to physical albums, closely interact with our managed artists, have fun at the exciting skate park, or take breaks at the cozy café in YH SPACE. The operation of YH SPACE not only diversifies our connections and interactions with the audience but also marks a milestone in our venture to make strides along with the trending combination of entertainment and retail.

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

The revenue we generated from pan-entertainment business decreased by 25.1% from RMB30.0 million for the year ended December 31, 2022 to RMB22.5 million for the year ended December 31, 2023, primarily due to a decrease in revenue generated from (i) sublicensing the program format of variety programs and (ii) commercial development of virtual artists.

The gross profit for our pan-entertainment business decreased by 27.0% from RMB20.1 million for the year ended December 31, 2022 to RMB14.6 million for the year ended December 31, 2023. The gross profit margin for our pan-entertainment business decreased from 66.8% for the year ended December 31, 2022 to 65.1% for the year ended December 31, 2023, primarily due to a decrease in revenue generated from (i) sublicensing the program format of a variety program and (ii) commercial development of virtual artists, which has a relatively higher gross profit margin.

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

Our Global Footprint

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

Our strategic approach focuses on identifying and developing talents that can make a significant impact both locally and internationally, thereby reinforcing our commitment to fostering global entertainment icons. During the Reporting Period and up to the date of this report, our participation in "Asian Super Young (亞洲超星團)," a talent show aimed at discovering the next big name in Asian entertainment, has further solidified our presence in the entertainment industry. The show's finale, broadcasted globally from Macau on March 9, 2024, saw the debut of "LOONG 9," with four members from us achieving top ranks. On March 28, 2024, "LOONG 9" further developed and divided into two artist groups, "LOONG 9-S" and "LOONG 9-V," focusing on performances and presence in different regions respectively. Seven members of our managed artists are members of "LOONG 9-S." This not only highlights our artists' talents but also our capability to guide and nurture stars that resonate on a global scale.

We have actively broadened our presence in the artist management domain, with a particular emphasis on our operation in Korea, where Yuehua Korea serves as an important part of our global strategy. With its strong music production capabilities, Yuehua Korea has produced numerous popular musical works, including songs "SLAY" performed by Everglow and "VROOM VROOM," "DIVE" and "DRAGON" performed by Tempest, our artist groups from Yuehua Korea. In addition, our managed artists Mr. Zhang Hao (章昊), Mr. Shen Quan Rui (Ricky) (沈泉鋭), Mr. Kim Gyu-vin (金奎彬) and Mr. Han Yu-jin (韓維辰) gained great popularity by participating in the Korean variety show "Boys Planet." Mr. Zhang Hao, our trainee who debuted in 2023, became the first Chinese artist who won the first place in Korean talent shows.

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

We will continue to explore the overseas markets and promote our managed artists globally. We will continue to build our team in Korea and enhance the artist operation capacities of Yuehua Korea through recruiting more professional instructors, establishing business cooperation with leading content producers and media platforms in Korea. During the Reporting Period, we have expanded our footprint into American entertainment market with the establishment of YH Entertainment USA, headquartered in California, the United States, so as to enhance our brand influence internationally. Moving forward, we will also explore business opportunities in other regions of the global market, such as Southeast Asia and Japan.

FINANCIAL REVIEW

Revenue

Our revenue decreased by 22.9% from RMB980.3 million for the year ended December 31, 2022 to RMB755.7 million for the year ended December 31, 2023, primarily due to a decrease in revenue generated from artist management.

The revenue we generated from artist management business decreased by 22.2% from RMB851.6 million for the year ended December 31, 2022 to RMB662.9 million for the year ended December 31, 2023, primarily due to the decreased demand from customers for our managed artists' services because our business partners tightened their budgets for endorsement deals and business promotion activities.

The revenue we generated from music IP production and operation business decreased by 28.7% from RMB98.6 million for the year ended December 31, 2022 to RMB70.3 million for the year ended December 31, 2023, primarily due to a decrease in the sales of our digital singles and albums.

The revenue we generated from pan-entertainment business decreased by 25.1% from RMB30.0 million for the year ended December 31, 2022 to RMB22.5 million for the year ended December 31, 2023, primarily due to a decrease in revenue generated from (i) sublicensing the program format of variety programs and (ii) commercial development of virtual artists.

Cost of Revenue

The table below sets forth our cost of revenue by nature both in absolute amount and as percentages for the years indicated.

	For the year ended December 31,				Year-on-Year change
	2023		2022		
	Amount	%	Amount	%	
	(RMB in thousands, except for percentages)				
Revenue sharing for artist management business	**374,470**	**64.5%**	431,820	70.0%	(13.3%)
Artist promotion costs	**47,430**	**8.2%**	41,695	6.8%	13.8%
Production costs of music content	**49,014**	**8.4%**	46,632	7.6%	5.1%
Employee benefits expenses	**14,679**	**2.5%**	20,912	3.4%	(29.8%)
Amortization of intangible assets[(1)]	**613**	**0.1%**	1,821	0.3%	(66.3%)
Equity settled share-based payments[(2)]	**53,707**	**9.2%**	56,453	9.1%	(4.9%)
Production costs of concert	**23,958**	**4.1%**	–	–	N/A
Others[(3)]	**16,775**	**3.0%**	17,835	2.8%	(5.9%)
Total	**580,646**	**100.0%**	617,168	100.0%	(5.9%)

Notes:

(1) Consisting primarily of amortization of music IP procurement costs.

(2) Consisting primarily of expenses arising from granting restricted share units ("**RSUs**") to eligible individuals under our Share Incentive Plan. We adopted our Share Incentive Plan on December 10, 2021. We granted 1,542,500 RSUs, 3,594,750 RSUs and 652,750 RSUs to eligible individuals on December 10, 2021, March 4, 2022 and December 20, 2022, respectively.

(3) Consisting primarily of (i) expenses for training our trainees, (ii) travel and car rental expenses for artists and assistants to participate in various commercial activities, and (iii) costs for sales of artist-related merchandise.

Our cost of revenue decreased by 5.9% from RMB617.2 million for the year ended December 31, 2022 to RMB580.6 million for the year ended December 31, 2023, primarily attributable to:

- a decrease in revenue sharing for artist management business from RMB431.8 million for the year ended December 31, 2022 to RMB374.5 million for the year ended December 31, 2023, primarily due to the decrease in revenue generated from artist management business as the demand from customers for our managed artists' services decreased since our business partners tightened their budgets for endorsement deals and business promotion activities; and

- a decrease in employee benefits expenses from RMB20.9 million for the year ended December 31, 2022 to RMB14.7 million for the year ended December 31, 2023, in relation to the reduction of employees' bonus.

The decrease was partially offset by increased production costs of concert for our managed artists of RMB24.0 million for the year ended December 31, 2023, while we incurred no such cost in 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded (i) a gross profit of RMB363.1 million and RMB175.0 million in 2022 and 2023, respectively, and (ii) a gross profit margin of 37.0% and 23.2% in 2022 and in 2023, respectively.

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

	For the year ended December 31,			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)			
Artist management	**131,981**	**19.9%**	295,890	34.7%
Music IP production and operation	**28,409**	**40.4%**	47,135	47.8%
Pan-entertainment business	**14,645**	**65.1%**	20,061	66.8%
Total/Overall	**175,035**	**23.2%**	363,086	37.0%

The gross profit for artist management decreased by 55.4% from RMB295.9 million for the year ended December 31, 2022 to RMB132.0 million for the year ended December 31, 2023. The gross profit margin for artist management decreased from 34.7% for the year ended December 31, 2022 to 19.9% for the year ended December 31, 2023, primarily due to (i) a decrease in revenue generated from artist management business and (ii) an increase in cost of revenue mainly as a result of increased promotion and marketing activities for concerts our managed artists participated in.

The gross profit for our music IP production and operation business decreased by 39.7% from RMB47.1 million for the year ended December 31, 2022 to RMB28.4 million for the year ended December 31, 2023. The gross profit margin for our music IP production and operation business decreased from 47.8% for the year ended December 31, 2022 to 40.4% for the year ended December 31, 2023, as the decrease in the revenue from music IP production outpaced the decrease in the production costs of music content.

The gross profit for our pan-entertainment business decreased by 27.0% from RMB20.1 million for the year ended December 31, 2022 to RMB14.6 million for the year ended December 31, 2023. The gross profit margin for our pan-entertainment business decreased from 66.8% for the year ended December 31, 2022 to 65.1% for the year ended December 31, 2023, primarily due to a decrease in revenue generated from (i) sublicensing the program format of a variety program and (ii) commercial development of virtual artists, which have relatively higher gross profit margin.

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of (i) employee benefits expenses, including salaries and benefits, for sales and marketing personnel, (ii) advertising and promotion expenses mainly in relation to general marketing and promotion of our managed artists, (iii) rental expenses, (iv) traveling expenses, and (v) equity settled share-based payments.

The table below sets forth a breakdown of our selling and marketing expenses in absolute amounts and as percentages of our selling and marketing expenses for the years indicated.

	For the year ended December 31,				Year-on-Year change
	2023		2022		
	Amount	**%**	Amount	%	
	(RMB in thousands, except for percentages)				
Employee benefits expenses	**24,036**	**62.4%**	22,154	58.9%	8.5%
Advertising and promotion expenses	**9,091**	**23.6%**	8,285	22.0%	9.7%
Rental expenses	**247**	**0.6%**	147	0.4%	68.0%
Traveling expenses	**500**	**1.3%**	167	0.4%	199.4%
Equity settled share-based payments[1]	**3,640**	**9.4%**	3,671	9.8%	(0.8%)
Others[2]	**1,036**	**2.7%**	3,187	8.5%	(67.5%)
Total	**38,550**	**100.0%**	37,611	100.0%	2.5%

Notes:

(1) Consisting primarily of expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan. We adopted our Share Incentive Plan on December 10, 2021. We granted 1,542,500 RSUs, 3,594,750 RSUs and 652,750 RSUs to eligible individuals on December 10, 2021, March 4, 2022 and December 20, 2022 respectively.

(2) Consisting primarily of amortization of renovation expenses, depreciation of property, plant and equipment and expenses for office supplies.

Our selling and marketing expenses remained relatively stable at RMB38.6 million for the year ended December 31, 2023, as compared to RMB37.6 million for the year ended December 31, 2022.

General and Administrative Expenses

Our general and administrative expenses consist primarily of (i) employee benefits expenses, including salaries and benefits, for our management and administrative staff, (ii) listing expenses incurred for the Listing, (iii) depreciation and amortization in connection with our office leases, an office building in Korea and intangible assets, (iv) taxes and surcharges, (v) professional and consulting fees, (vi) traveling expenses, (vii) equity settled share-based payments and (viii) auditor's remuneration.

The table below sets forth a breakdown of our general and administrative expenses in absolute amounts and as percentages of our general and administrative expenses for the years indicated.

	For the year ended December 31,				Year-on-Year change
	2023		2022		
	Amount	%	Amount	%	
	(RMB in thousands, except for percentages)				
Employee benefits expenses	**33,296**	**24.8%**	26,000	21.8%	28.1%
Listing expenses	**11,468**	**8.5%**	28,841	24.1%	(60.2%)
Depreciation and amortization	**11,914**	**8.9%**	7,564	6.3%	57.5%
Taxes and surcharges	**5,270**	**3.9%**	2,832	2.4%	86.1%
Professional and consulting fees[1]	**6,343**	**4.7%**	3,177	2.7%	99.7%
Traveling expenses	**2,559**	**1.9%**	831	0.7%	207.9%
Equity settled share-based payments[2]	**34,840**	**26.0%**	30,989	25.9%	12.4%
Auditor's remuneration	**5,308**	**4.0%**	1,800	1.5%	194.9%
Others[3]	**23,216**	**17.3%**	17,460	14.6%	33.0%
Total	**134,214**	**100.0%**	119,494	100.0%	12.3%

Notes:

(1) Consisting primarily of service fees for business, legal, tax and other consultants in connection with our business operations, the Listing and the Global Offering.

(2) Consisting primarily of expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan. We adopted our Share Incentive Plan on December 10, 2021. We granted 1,542,500 RSUs, 3,594,750 RSUs and 652,750 RSUs to eligible individuals on December 10, 2021, March 4, 2022 and December 20, 2022, respectively.

(3) Consisting primarily of publicity and entertainment expenses in relation to our Listing, and residential special maintenance fund for the property acquired in 2023.

Our general and administrative expenses increased by 12.3% from RMB119.5 million for the year ended December 31, 2022 to RMB134.2 million for the year ended December 31, 2023, primarily due to an increase in equity settled share-based payments and employee benefits expenses.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets are primarily related to the loss allowance of our trade receivables, investments measured at amortized cost and other receivables. We recorded net impairment losses on financial assets of RMB7.7 million and RMB8.7 million in 2022 and 2023, respectively.

Other Income

Our other income consists of (i) government subsidies, (ii) tax credit of input tax additional deduction and (iii) rental income from investment properties. The government subsidies were 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.

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 years indicated.

	For the year ended December 31,	
	2023	2022
	(RMB in thousands)	
Government subsidies	**21,647**	314
Tax credit of input tax additional deduction	**686**	3,009
Rental income from investment properties	**478**	578
Total	**22,811**	3,901

Other Gains, Net

Our other gains primarily comprise (i) fair value gains from wealth management products, (ii) fair value gains from unlisted entities, (iii) fair value gains from unlisted funds, (iv) gains on disposal of an associate in relation to sale of our equity interest in associates, (v) net exchange losses, and (vi) fair value gains from a listed entity. Our net other gains in 2023 were RMB14.7 million, compared with net other gains of RMB10.0 million in 2022.

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

	For the year ended December 31,	
	2023	2022
	(RMB in thousands)	
Fair value gains from wealth management products	**4,306**	12,949
Fair value gains from unlisted entities	**10,500**	–
Fair value gains from unlisted funds	**3,487**	–
Gains on disposal of an associate	**2,171**	–
Net exchange losses	**(6,016)**	(5,424)
Net gains/(losses) on disposal of property, plant and equipment	**44**	(218)
Net gains on disposal of right-of-use assets	**–**	21
Fair value gains from a listed entity	**215**	2,716
Total	**14,707**	10,044

Finance Income or Costs, Net

Our finance income consists of interest income from bank deposits and investments measured at amortized cost, while our finance costs comprise interest expenses on bank borrowings and lease liabilities. Our net finance income amounted to RMB31.5 million for the year ended December 31, 2023, compared to net finance income of RMB0.3 million for the year ended December 31, 2022.

Share of Losses of Investment Accounted for Using the Equity Method

Our share of losses of investment accounted for using the equity method is primarily related to our equity investment in our associates. Our share of losses of investment accounted for using the equity method increased from RMB3.1 million for the year ended December 31, 2022 to RMB7.2 million for the year ended December 31, 2023, primarily due to the increased losses recorded of our associates.

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. During the Reporting Period, the fair value changes of convertible preferred shares amounted to RMB160.5 million. The convertible preferred shares had been re-designated from financial liabilities to equity as a result of automatic conversion into ordinary shares upon our Listing on January 19, 2023.

Income Tax Expense

Our income tax expense for the year ended December 31, 2023 was RMB37.5 million.

(Loss)/Profit for the year

As a result of the foregoing, our loss for the year was RMB142.6 million for the year ended December 31, 2023, as compared to the profit for the year of RMB1,725.2 million for the year ended December 31, 2022.

Non-IFRS Measures

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

We define adjusted net profit as profit/(loss) for the year adjusted for (i) equity settled share-based payments, (ii) fair value changes of convertible preferred shares, (iii) listing expenses, (iv) interest expenses on redemption liabilities, (v) fair value changes of financial instrument and (vi) gain from disposal of an associate. 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. Interest expenses on redemption liabilities mainly refer to unwinding of interests on redemption liabilities in relation to the preferential rights that certain shareholders of Yuehua Limited are entitled to pursuant to a shareholders' agreement dated November 16, 2020. Gain on disposal of an associate represents the gain from sale of our equity interest in an associate. 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 years indicated.

	For the year ended December 31,	
	2023	2022
	(RMB in thousands)	
(Loss)/Profit for the year	**(142,588)**	1,725,185
Adjusted for:		
Equity settled share-based payments	**92,187**	91,113
Fair value changes of convertible preferred shares	**160,524**	(1,581,992)
Listing expenses	**11,468**	28,841
Interest expenses on redemption liabilities	**–**	3,406
Fair value changes of financial instruments	**(14,202)**	–
Gain from disposal of an associate	**(2,171)**	–
Non-IFRS measures: Adjusted net profit	**105,218**	266,553
Adjusted net profit margin	**13.9%**	27.2%

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 issued by reputable commercial banks, 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 31.4% from RMB335.8 million as of December 31, 2022 to RMB230.5 million as of December 31, 2023, primarily due to the redemption of wealth management products during the Reporting Period.

Trade Receivables

Our net trade receivables decreased by 26.4% from RMB129.9 million as of December 31, 2022 to RMB95.7 million as of December 31, 2023, which was generally in line with the decrease in revenue.

As of December 31, 2022 and 2023, we made allowance for impairment of trade receivables of approximately RMB22.8 million and RMB30.4 million, respectively, which we believe were sufficient as of the end of each year based on the expected credit loss assessments.

Prepayments and Other Receivables

Our prepayments increased from RMB44.6 million as of December 31, 2022 to RMB519.1 million as of December 31, 2023, primarily due to the acquisition of the property located in Beijing. Please refer to the section headed "Acquisition of the Property" for details.

Our other receivables decreased by 15.9% from RMB18.9 million as of December 31, 2022 to RMB15.9 million as of December 31, 2023, primarily due to the decrease in input tax to be certified and the decrease in the number of house rentals.

Investments Measured at Amortized Cost

We had investments measured at amortized cost of RMB300.8 million as of December 31, 2023, primarily in relation to our increased investment in unsecured debt instruments, all of which are issued by several independent third-party private companies primarily engaged in investment-related activities.

Restricted Cash

We had restricted cash of RMB12.3 million as of December 31, 2023, as a result of pledging of our deposits to guarantee the loans in relation to the acquisition of property.

Trade Payables

Our trade payables decreased by 21.5% from RMB190.6 million as of December 31, 2022 to RMB149.6 million as of December 31, 2023, primarily due to the decrease in revenue sharing for artist management business in relation to the decrease in revenue generated from artist management.

Other Payables and Accruals

Our other payables and accruals increased by 5.2% from RMB49.7 million as of December 31, 2022 to RMB52.3 million as of December 31, 2023, primarily due to an increase for residential special maintenance fund for the property acquired in 2023. Please refer to the section headed "Acquisition of the Property" for details.

Financial Liabilities at Fair Value Through Profit or Loss

Our Company issued Series A-1, A-2 and A-3 convertible preferred shares to certain shareholders on January 28, 2022. Following such issuance, these convertible preferred shares were recognized as financial liabilities at fair value through profit or loss with an initial fair value of RMB2,484.4 million, while the redemption liabilities were derecognized. As of December 31, 2023, we did not have financial liabilities at fair value through profit or loss.

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

Contract Liabilities

Our contract liabilities increased by 23.3% from RMB160.2 million as of December 31, 2022 to RMB197.6 million as of December 31, 2023, primarily due to an increase in advances from newly secured commercial contracts during the Report 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 RMB528.7 million and RMB613.4 million as of December 31, 2022 and 2023, respectively. As of December 31, 2023, we had restricted cash of RMB12.3 million.

We had borrowings of RMB66.3 million and RMB266.2 million as of December 31, 2022 and 2023, respectively. During the Report Period, our borrowings consist of (i) RMB66.2 million, which were denominated in KRW, in relation to our secured loan from a Korean bank for the purchase of Yuehua Korea's office building in Korea in 2019 and (ii) RMB200.0 million in relation to our secured loan from Chinese banks for the acquisition of property in China. Please refer to the section headed "Acquisition of the Property" for details. As of December 31, 2023, our borrowings were secured by certain property, plant and equipment and investment properties 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%. Gearing ratio is not applicable as of December 31, 2022 because we recorded a total deficit as of December 31, 2022, primarily due to the recognition of convertible preferred shares we issued on January 28, 2022 as financial liabilities at fair value through profit or loss. Our gearing ratio was 21.1% as of December 31, 2023.

Acquisition of the Property

References are made to the announcement of the Company dated July 24, 2023 in relation to the Acquisition (as defined below), the circular of the Company dated August 22, 2023 in relation to the Acquisition (as defined below) and the poll results announcement of the Company dated September 11, 2023 in relation to the poll results of the extraordinary general meeting held on September 11, 2023 (the "**EGM**").

On July 24, 2023, YueHua Limited and Tianjin Yuehua (both are wholly-owned subsidiaries of our Company) entered into a sales and purchase agreement (the "**Sale and Purchase Agreement**") with Beijing Jinkai Liantai Real Estate Development Co., Ltd. (北京金開連泰房地產開發有限公司) (the "**Vendor**"), in relation to acquisition of the property (the "**Property**") located at FUTURE CENTER Block B (華樾中心B座), Building One, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, the PRC with a consideration of RMB480 million (the "**Acquisition**").

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

At the EGM, the resolution in relation to the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder was duly passed by the Shareholders. Accordingly, all conditions precedent in the Sale and Purchase Agreement were fulfilled on September 11, 2023 and the title transfer and registration procedures in relation to the Property have been completed on January 19, 2024.

For further details, please refer to the announcement of the Company dated July 24, 2023, the circular of the Company dated August 22, 2023 and the poll results announcement of the Company dated September 11, 2023.

Significant Investments Held

Save as disclosed in this report, our Group did not make or hold any significant investments during the Reporting Period.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this report, as of December 31, 2023, we did not have other future 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 December 31, 2023.

Function	Number of Employees	% of Total
Artist operation	45	20.9%
Artist training	32	14.9%
Artist promotion	23	10.7%
Music and Pan-entertainment Business	65	30.2%
Administration	50	23.3%
Total	**215**	**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 year ended December 31, 2023 were RMB164.2 million, as compared to RMB160.2 million for the year ended December 31, 2022, representing a year-on-year increase of 2.5%.

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 HKD under the Linked Exchange Rate System, our directors are of the opinion that our Company is not exposed to significant foreign exchange risk and that the exposure to fluctuation in exchange rates will only arise from the translation to RMB, the presentation currency of our Group. During the Reporting Period, our net exchange losses remained relatively stable at RMB6.0 million, as compared to net exchange losses of RMB5.4 million for the year ended December 31, 2022. 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 December 31, 2023, certain property, plant and equipment, investment properties and certificate of deposit of our Group with an aggregate carrying value of RMB115.7 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 December 31, 2023, 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 December 31, 2023.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As of the date of this report, the Board comprises seven Directors, of which three are executive Directors, one is non-executive Director and three are independent non-executive Directors. The following table sets forth information regarding our Directors.

Name	Age	Position	Time of appointment as a Director
Executive Directors			
Ms. DU Hua (杜華)[1]	42	Executive Director, Chairlady of the Board and Chief Executive Officer	June 2021
Mr. SUN Yiding (孫一丁)[1]	56	Executive Director and President	June 2021
Mr. SUN Le (孫樂)	43	Executive Director and Vice President	June 2021
Non-executive Director			
Mr. MENG Jun (孟鈞)	44	Non-executive Director	June 2023
Independent non-executive Directors			
Mr. FAN Hui (范輝)	46	Independent Non-executive Director	January 2023
Mr. LU Tao (呂濤)	58	Independent Non-executive Director	January 2023
Mr. HUANG Jiuling (黃九嶺)	52	Independent Non-executive Director	January 2023

Note:

(1) Ms. Du and Mr. Sun are cohabiting as spouses.

EXECUTIVE DIRECTORS

Ms. DU Hua (杜華), aged 42, is our founder, executive Director, the chairlady of the Board and the chief executive officer. Ms. Du was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022. Ms. Du is primarily responsible for the overall strategic planning and business direction and day-to-day management of our Group. She also holds directorship in a number of our subsidiaries[1].

Prior to founding Yuehua Limited in July 2009, Ms. Du worked at Huayou Digital Media Technology Co., Ltd. (華友數碼傳媒科技有限公司) and its affiliates, an internet service provider, from August 2004 to July 2009.

Ms. Du received a diploma majoring in English from North China Institute of Science and Technology (華北科技學院) in the PRC in July 2003 and completed the EMBA Program at Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2015.

Mr. SUN Yiding (孫一丁), aged 56, is our executive Director and President, primarily responsible for the operation and management of our Group. Mr. Sun joined the Group in May 2015. Mr. Sun was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022.

Mr. Sun served as a director and chief executive officer of RISE Education Cayman Ltd, an educational services provider, whose shares are listed on the Nasdaq Global Market (ticker symbol: REDU), from October 2013 to January 2022 and October 2013 to January 2020, respectively. Mr. Sun served as the general manager in GYMBOGLOBAL (CHINA) TRADING CO., LTD (金寶貝（中國）商貿有限公司), from September 2011 to August 2013. Mr. Sun also consecutively served as general manager of Jinan Gome, deputy general manager of headquarter procurement center, general manager of headquarter operation center, vice president and general manager of northern China in Gome Electrical Appliances Co., Ltd (國美電器有限公司) and the executive director in Gome Retail Holdings Limited (國美零售控股有限公司) (formerly known as Gome Electrical Appliances Holding Limited (國美電器控股有限公司)), whose shares are listed on the Stock Exchange (stock code: 0493), from April 1999 to April 2011.

Mr. Sun received a bachelor's degree in engineering from East China University of Science and Technology (上海華東理工大學) (formerly known as East China Institute of Chemical Technology (華東化工學院)) in the PRC in July 1990 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in October 2013.

Mr. SUN Le (孫樂) (with former name as Gao Xiang (高翔)), aged 43, is our executive Director and Vice President. Since joining our Group in November 2009, Mr. SUN Le has been primarily responsible for establishing and maintaining customer relationship and marketing positioning. Mr. SUN Le was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022. Mr. SUN Le joined our Group in November 2009, and he also serves as the vice general manager of Tibet Yuehua and Tianjin Yuehua, being subsidiaries of the Company, from November 2009 to January 2022.

Mr. SUN Le received a diploma majoring in dance from Minzu University of China (中央民族大學) in the PRC in July 1998. Mr. SUN Le obtained the qualification as a performance agent issued by China Association of Performing Arts (中國演出行業協會) in the PRC in August 2017. Mr. SUN Le is the individual member of the 7th council of China Association of Performing Arts and the director of the first council of Artist Agent Alliance of China Association of Performing Arts.

1 Yuehua Limited, Yuehua Investment, Tibet Yuehua, Hainan Yuehua, Tianjin Chufa, Tianjin Yihua, Tianjin Yuehua, Yuehua HK and YUE HUA HONG KONG.

NON-EXECUTIVE DIRECTOR

Mr. MENG Jun (孟鈞), aged 44, was appointed as our non-executive Director since June 28, 2023, primarily responsible for providing professional advice, opinion and guidance to our Board.

Mr. Meng has been serving as an executive director at Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) (stock code: 1060) ("**Alibaba Pictures**") since March 5, 2019 and a non-independent director of Bona Film Group Co., Limited (博納影業集團股份有限公司), a company listed on the Shenzhen Stock Exchange (SZSE stock code: 001330) since May 30, 2023. Mr. Meng Jun joined Alibaba Pictures on April 9, 2018 and has been consecutively serving as the chief financial officer, executive director, and a member of the executive committee of Alibaba Pictures. Prior to that, Mr. Meng Jun served at Alibaba Group Holding Limited (阿里巴巴集團控股有限公司) ("**Alibaba Group**"), with its American depositary shares listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988), where he held key financial management positions at a number of business units, including among others, Tao Dian Dian, Taobao Movie (now known as Tao Piao Piao), Tmall Supermarket and Alibaba Digital Media and Entertainment Group; he continues to hold some of these positions after joining the Alibaba Pictures.

Prior to joining Alibaba Group, Mr. Meng Jun held auditing and financial advisory positions at various companies, such as Ernst & Young and IBM. Mr. Meng Jun received his bachelor's degree in economics from Beijing Technology and Business University (北京工商大學) in the PRC in July 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FAN Hui (范輝), aged 46, was appointed as our independent non-executive Director on January 19, 2023, primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Fan has been serving as an independent director of Xuzhou Zm-besta Heavy Steel Structure Co., Ltd. (徐州中煤百甲重鋼科技股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 835857) since September 2021, and Noble Family Wine and Liquor Co., Ltd. (名品世家酒業連鎖股份有限公司), a company listed on the National Equities Exchange And Quotations (the "**NEEQ**") (stock code: 835961) since June 2020, and was appointed as an independent non-executive director of Great Wall Motor Company Limited (長城汽車股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2333) on June 16, 2023.

Mr. Fan has been working as an executive director of Beijing Quanfang Huitong Investment Management Co., Ltd. (北京全方匯通投資管理有限公司) since July 2018 and a supervisor of and the chief risk officer of Econowledge Capital Co., Ltd. (易科縱橫投資管理（北京）有限公司) since December 2015. From February 2022 to April 2023, Mr. Fan served as an independent director of Aura International Education Technology Co., Ltd. (北京光環國際教育科技 股份有限公司), a company listed on the NEEQ (stock code: 838504). Prior to that, Mr. Fan consecutively served as a vice president and the director of the investment decision committee at Capital East Coast International (東海岸國際投資（北京）有限公司) from December 2012 to November 2015 and worked at JD Capital Co., Ltd. (昆吾九鼎投資管理有限公司) from May 2010 to November 2012. Mr. Fan served as a senior manager at Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing Branch (德勤華永會計師事務所（特殊普通合夥）北京分所) from June 2005 to April 2010 and an auditor at Pan-China Certified Public Accounts LLP (天健會計師事務所（特殊普通合夥）) from January 2001 to May 2005.

Mr. Fan received a bachelor's degree in economics from Central University of Finance and Economics (中央財經大學) in the PRC in July 2000 and completed postgraduate courses in accounting at Beijing Technology and Business University (北京工商大學) in the PRC in October 2003. Mr. Fan is a non-practicing member of the Beijing Institute of Certified Public Accountants.

Mr. Fan possesses appropriate professional accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules and confirms that he has gained such expertise through his experiences.

Mr. LU Tao (呂濤), aged 58, was appointed as our independent non-executive Director on January 19, 2023, primarily responsible for supervising and providing independent opinion and judgment to the Board. Mr. Lu had been an independent director of our Company's subsidiary, Yuehua Limited, from February 2021 to November 2021.

Mr. Lu consecutively worked at Beijing branch of Dongda Pinkong Industries Co., Ltd (東大品控實業有限公司北京分公司) from March 2017 to October 2017 and Dongda Pinzheng Holdings Co., Ltd. (東大品證控股有限公司), a catering company, from December 2016 to February 2017. Mr. Lu served as a regional sales and marketing director of Hebei Kangda Co., Ltd. (河北康達有限公司), a company principally engaged in pesticides manufacture business, from August 2012 to September 2014; member of sales department from December 2002 to March 2011 and associate sales director from April 2011 to June 2012 of Shanghai Johnson Ltd (上海莊臣有限公司); regional sales manager of Shanghai Pillsbury Frozen Foods Co., Ltd, Beijing Branch (上海品食樂冷凍食品有限公司北京分公司) from January 2000 to December 2001.

Mr. Lu received a bachelor's degree majoring in business economics from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Commerce Institute (安徽財貿學院)) in the PRC in July 1987 and a master's degree in business administration from China Europe International Business School (中歐國際工商管理學院) in the PRC in July 2008.

Mr. HUANG Jiuling (黃九嶺), aged 52, was appointed as our independent non-executive Director on January 19, 2023, primarily responsible for providing independent opinion and judgment to the Board. Mr. Huang had been an independent director of our Company's subsidiary, Yuehua Limited, from February 2021 to November 2021.

Mr. Huang has been working at Chaoshang ASEAN Investment Fund Management Co., Ltd. (潮商東盟投資基金管理有限公司) since October 2020, responsible for the general management of the company. Mr. Huang consecutively served as the president of Beijing Banyan Investment Management Co., Ltd. (北京榕樹投資管理有限公司) from May 2009 to September 2020; president and vice president of Beijing Century Huarong Investment Management Co., Ltd. (北京世紀華融投資管理有限公司) from June 2004 to April 2009 and from July 2000 to May 2004, respectively.

Mr. Huang received a bachelor's degree in economics and a master's degree in business administration from Renmin University of China (中國人民大學) in the PRC in July 1994 and June 2001, respectively.

SENIOR MANAGEMENT

Ms. DU Hua (杜華), aged 42, is the chairlady of our Board, executive Director and chief executive officer of our Company. For details of her biography, see "–Directors – Executive Directors".

Mr. SUN Yiding (孫一丁), aged 56, is the executive Director and president of our Company. For details of his biography, see "–Directors – Executive Directors".

Mr. SUN Le (孫樂) (former name: Gao Xiang (高翔)), aged 43, is the executive Director and vice president of our Company. For details of his biography, see "–Directors – Executive Directors".

Mr. ZHANG Wensheng (張文勝), aged 56, is our chief financial officer and joined our Group in June 2020. Mr. Zhang is primarily responsible for overseeing the financial operation, risk management and investor relations.

Prior to join our Company in June 2020, Mr. Zhang worked at Gome Electrical Appliances Co., Ltd (國美電器有限公司) and its subsidiaries from March 2000 to April 2019.

Mr. Zhang received a bachelor's degree in economics from Tianjin University of Finance and Economics (天津財經大學) (formerly known as Tianjin Finance and Economics Institute (天津財經學院)) in the PRC in July 1990.

Mr. LEE Sang Kyu, aged 40, is our general manager of Korean business and joined our Group in September 2010. Mr. Lee is primarily responsible for overall operation and development of our Korean business.

Mr. Lee joined our Group as an artist manager in September 2010 and later served as the general manager of our Korean business from August 2016.

Mr. Lee received a bachelor's degree in arts from Communication University of China (中國傳媒大學) in July 2011.

JOINT COMPANY SECRETARIES

Mr. ZHANG Wensheng (張文勝), see "–Senior Management."

Mr. CHUNG Ming Fai (鍾明輝), is a joint company secretary of our Company. He has over 19 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Since June 2022, Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange.

Mr. Chung is currently a fellow of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in December 2003.

CHANGES TO DIRECTORS' INFORMATION

Mr. MENG Qingguang and Ms. ZHAO Wenjie have resigned from their positions as non-executive Directors due to their other business and personal commitments with effect from June 28, 2023, and Mr. MENG Jun was appointed as a non-executive Director with effect from June 28, 2023. For details, please refer to the Company's announcement dated June 28, 2023.

Ms. YAO Lu has resigned as a non-executive Director with effect from February 5, 2024, in order to devote more time to her other business and personal commitments. For details, please refer to the Company's announcement dated February 5, 2024.

Save as disclosed herein, during the Reporting Period and up to the date of this Report, the Company is not aware of any changes in the information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ABOUT THE REPORT

YH Entertainment Group and its subsidiaries (hereinafter referred to as "**YH Entertainment**," "**the Group**," "**we**," "**us**," or "**our**") are pleased to publish the second Environmental, Social and Governance Report (hereinafter referred to as the "**Report**") of the Group. We are committed to focusing on Environmental, Social and Governance (hereinafter referred to as the "**ESG**") issues, and we actively implement ESG measures and disclose to stakeholders our performance in various aspects of the ESG. In the ESG Report, the Group discloses various environmental and social key performance indicators (hereinafter referred to as the "**KPIs**"), policies and measures.

Reporting Standards

The Report is made in accordance with the mandatory disclosure requirements and "comply or explain" provisions in the Appendix C2 ESG Reporting Guide (hereinafter referred to as the "**Guide**") to the Listing Rules published by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Stock Exchange**"). The Report is prepared in compliance with four reporting principles in the Guide:

- Materiality: The Report discloses the process of identifying and the criteria for the selection of material ESG issues, and describes the process of stakeholder engagement.
- Consistency: The statistical methodologies used for data disclosure in the Report are consistent with those of last year. Changes (if any) are clearly explained in the Report.
- Quantitative: The Report explains its disclosure of the statistical standards, methodologies, assumptions and calculation tools used for ESG KPIs and relevant data, and the source of conversion factors.
- Balance: The Report presents the Group's performance for the Reporting Period in an unbiased manner, and avoids selection, omission or presentation format that may improperly affect the decision-making or judgment of its readers.

Scope of Reporting

The Report covers the period from January 1, to December 31, 2023 (hereinafter referred to as the "**Year**" or "**Reporting Period**"). The scope of social disclosure of the Report is consistent with that of the Annual Report, and its scope of environmental disclosure is headquarters of YH Entertainment in Beijing which is the key source of revenue for the Group. For the governance work of the Group, please refer to the section headed "Corporate Governance Report" in this report.

Reporting Languages

The Report is published in both Chinese and English versions. In the event of any inconsistency, the Chinese version shall prevail.

Confirmation and Approval

After being confirmed by the management, the Report has been considered and approved by the Board of the Group on March 27, 2024.

Feedback on the Report

Your opinions on the Report are very important to us. If you have any enquiries or recommendations, please contact the Group via e-mail (ir@yuehuamusic.com).

1. SUSTAINABILITY MANAGEMENT

1.1 Statement of the Board

YH Entertainment views corporate social responsibility as our core value. We have established an ESG governance structure to promote the sustainable development and corporate social responsibility work of the Group. The Board evaluates and manages material ESG matters and prioritizes materiality issues. The Board has authorized the establishment of ESG committee to oversee the Group's ESG work and outcomes. The ESG committee formulates and reviews ESG-related strategies, monitors ESG issues, and reports regularly to the Board. We have set environmental targets. During the Year, we have reviewed the progress of environmental targets. During the Year, except for the intensity of non-hazardous waste generation, all other environmental targets were employed and the emissions were higher than previous years, mainly due to the cessation of work-from-home arrangement after the pandemic. We will formulate and implement various environmental measures in line with the Group's operational development.

1.2 ESG Governance

YH Entertainment has established its ESG governance structure. The ESG governance structure consists of three levels, including decision-making level consisting of the Board, organization level led by senior management, and implementation level consisting of relevant departments. The organization level refers to our ESG committee led by our Executive Director and President. The ESG work is driven by various relevant departments in the Group, which will formulate more environmental and social measures. The duties and responsibilities of each level are set out below.

- Decision-making level: the Board

  ➢ As the top decision-making level, the Board takes full responsibility for issues on ESG, including setting ESG targets. The Board has established ESG committee to carry out governance work on ESG;

  ➢ The Board supervises the implementation of the Group's policies on ESG issues, and identifies, assesses and manages the effects of ESG matters;

  ➢ The Board considers and approves annual ESG report

- Organization level: ESG committee

  The ESG committee is led by Mr. SUN Yiding, Executive Director and President. The members of ESG committee are Mr. SUN Le (Executive Director and Vice President), Mr. FAN Hui, Mr. LU Tao, Mr. HUANG Jiuling (Independent Non-executive Directors) and Mr. ZHANG Wensheng (chief financial officer and company secretary).

  ➢ ESG committee is responsible for reviewing ESG targets, strategies and internal policies as authorized by the Board;

  ➢ Identifying ESG risks and opportunities, understanding and responding to stakeholders' opinions on ESG matters;

  ➢ Reviewing and supervising policies, plans, management approach, working targets and other aspects relating to ESG, preparing ESG report and regularly reporting to the Board

- Implementation level: ESG working group

  ➢ The implementation unit consists of Integrated Management Department, Internal Control and Management Department, etc. The relevant departments shall carry out relevant ESG work according to the management approach, strategies, plans, annual targets relating to ESG set by the Group;

  ➢ The relevant departments must comply with policies and regulations on ESG, and collect relevant KPIs data;

  ➢ Regularly report to ESG committee

1.3 Stakeholder Engagement

YH Entertainment attaches great importance to the opinions, expectations and requirements of stakeholders regarding the Group. We have identified various stakeholders and established multiple communication channels to facilitate the effective communication with them. Through an effective communication mechanism, we actively respond to stakeholders' opinions and promote the sustainable development of the Group.

Significant stakeholders	Expectations and requirements	Communication channels	Communication frequency
Fans and customers (content producers, advertisers, corporate customers, etc.)	• Users' experience	Daily operation/ communication; Social media interactions; Phone call; Mailbox	Irregular, multiple times a year Irregular, multiple times a year Irregular Regular check
Shareholders and investors	• Protection of rights and interests of shareholders and investors; • Prudent operation; • Financial results; • Long-term win-win cooperation relationship; • Business development; • Information transparency	Regular disclosure of financial and operational information; Company's website; Corporate newsletter, such as letter/circular and meeting notice to shareholders; Shareholder visiting activity; Investor meeting; General meeting; Interim report and annual report; Results announcement; Senior management meeting	Multiple times a year, regular disclosure Regular disclosure Regular, multiple times a year Held on an irregular basis Held on an irregular basis Twice a year Twice a year Twice a year Regular, once a week

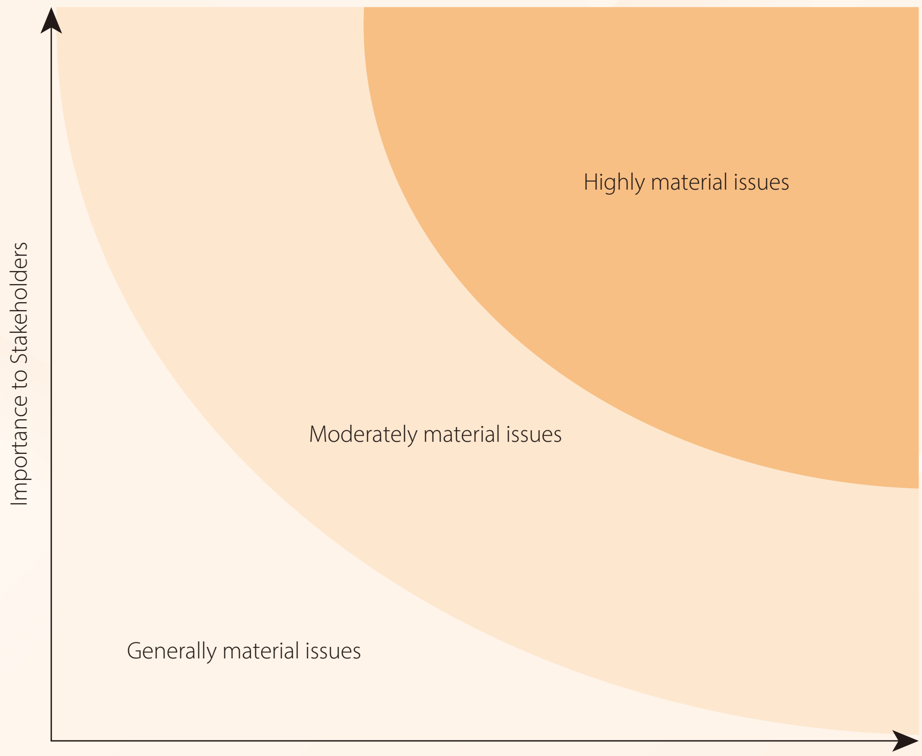
Significant stakeholders	Expectations and requirements	Communication channels	Communication frequency
Staff	• Employment compliance; • Occupational health and safety; • Staff training and development; • Compensation and welfare; • Favourable working environment; • Work and life balance; • Protection of staff rights and interests	Channels for staff to express opinions (internal system, forms, suggestion boxes, etc.); Work performance appraisal; Business briefing; Staff communication conference; Staff training	Irregular Regular Held on an ad hoc basis Twice a year Irregular, multiple times a year
Business partners	• Long-term win-win cooperation relationship	Meeting; Visit	Irregular, multiple times a year Irregular, multiple times a year
Suppliers (managed artists)	• Compliance with contracts; • Long-term cooperation	Meeting and communication	Irregular, multiple times a year
Government/regulatory body	• Compliance with laws and regulations; • Tax payment as legally required	Meeting; Visitor reception	Irregular Irregular
Media	• Information transparency; • Financial results	Press conference; Press release; Interviews of senior management; Results announcement	Irregular, held on an ad hoc basis Irregular, release on an ad hoc basis Irregular, multiple times a year Held on an regular basis
Peers	• Win-win cooperation	Strategic cooperation project	Irregular, held on an ad hoc basis

1.4 Materiality Assessment

We disclose the process and criteria for identifying material ESG issues based on the reporting principle of materiality, and the materiality issue database was built with reference to the Guide, industrial materiality issue database of Sustainability Accounting Standards Board ("**SASB**") and peers' examples. During the Year, there was no significant change in the Group's business operations, and there was no significant change in the impact of the Group on stakeholders and the impact of stakeholders on the Group. Therefore, based on the results of materiality assessment by the senior management, we have confirmed and continued to use the results of materiality assessment for 2022. These results have been considered and confirmed by the Board.

We have a total of 17 material issues, of which 11 are highly material issues, 4 are moderately material issues and 2 are generally material issues.

Materiality Matrix



Highly material issues	Moderately material issues	Generally material issues
– Greenhouse gas emissions – Waste management – Protection of employment rights and interests and welfare – Staff training and development – Staff health and safety – Employment criteria (such as equal opportunity and diversity) – Information security and privacy protection – Protection of intellectual property rights – Anti-corruption, anti-bribery – Community engagement and charity activities – Compliance operation	– Tackling climate change – Water resource management – Material usage and efficiency – Business ethics	– Energy management – Supplier management

2. COMPLIANCE OPERATION

2.1 Creating Entertainment Value

We are committed to providing high-quality entertainment and building a diverse entertainment industry chain for artists, customers and media platforms. In terms of promotion and development of the entertainment industry, YH Entertainment continues to unleash our creativity and vitality, making YH Entertainment an influential entertainment brand. During the Year, we launched the operation of YH Space, the first domestic offline artist-related merchandise store integrating artist-related merchandises, artist interaction, trendy entertainment and trendy sports. It has further promoted the strategic development of the pan-entertainment business and created higher entertainment value. We acknowledge that entertainment development is inseparable from the support and cooperation of all parties. Under the premise of safeguarding the rights and interests of our customers, artists and media platforms, we will develop diverse entertainment to enhance the entertainment value of YH Entertainment brand and our artists.

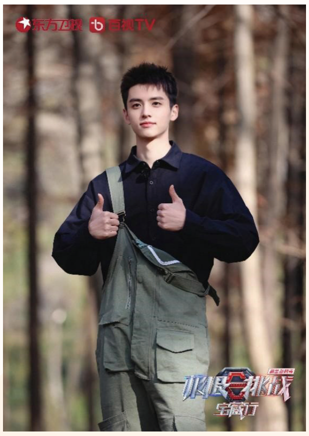
During the Year, our managed artists participated in various types of film and television works, variety programs, and released various types of music works, which attracted extensive attention and support.

Li Wenhan's music album
"FALLING OFF (墜落在無垠浩翰)"

Huang Minghao's music album
"THOUSANDS OF ME (一人之眾)"

BOYHOOD's music single
"DRAGON HEADS RAISING (龍抬頭)"

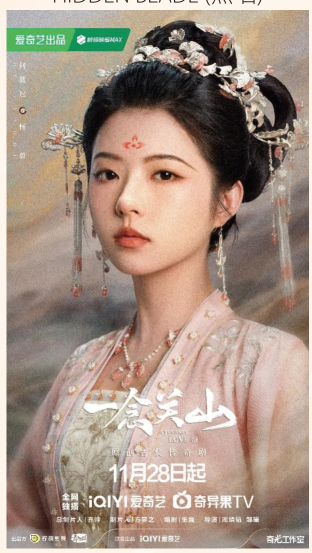
TEMPEST's music album
"Into The TEMPEST (風暴之中)"



Chen Xinhao's variety program
"Go Fighting (極限挑戰)"

Wang Yibo's film and television work
"HIDDEN BLADE (無名)"

Cheng Xiao's variety program
"CHINESE RESTAURANT SEASON VII (中餐廳第七季)"



He Landou's film and television work
"A JOURNEY TO LOVE (一念關山)"

In addition, there were also the following works:

- Wang Yibo's performance in movie works "BORN TO FLY (長空之王)" and "ONE AND ONLY (熱烈)", and personal EP "BYSTANDER (旁觀者)";
- Wu Xuanyi's performance in drama series "RISING WITH THE WIND (我要逆風去)" and solo album "NO, I LOVE (不，愛了)";
- Bi Wenjun's performance in drama series "I AM NOBODY (異人之下)" and "WARM ON A COLD NIGHT (九霄寒夜暖)";
- Lee Do-hyun's performance in drama series "THE GLORY (黑暗榮耀)" and "THE GOOD BAD MOTHER (壞媽媽)";
- NAME's single "ON PLAY" and performance in variety program "UNDER THE SPOTLIGHT (人不怕出名豬不怕壯)";
- Tang Jiuzhou's solo album "JOJO";
- YENA's solo album "Love War";
- TEMPEST's album "THE CALM BEFORE THE STORM (暴風前夜)";
- EVERGLOW's album "ALL MY GIRLS";
- Huang Minghao's performance in variety programs "WHO'S THE MURDERER SEASON VIII (大偵探第八季)","GREAT ESCAPE V (密室大逃脱5)", "A FULLY COMMITTED ACTIVIST (全力以赴的行動派)" and "GO FIGHTING (極限挑戰)";
- BOYHOOD's performance in variety program "STEP ON STAGE OF CHUNWAN (我要上春晚)";
- Wang Xi's performance in variety program "EVERLASTING CLASSICS (經典咏流傳•正青春)"

2.2 Entertainment Quality Assurance

YH Entertainment has signed contracts with several high-quality artists, and has also discovered and cultivated trainees. We strictly comply with legal and regulatory requirements such as the Template Entertainment Content Service Contract (Trial) (《演員聘用合同示範文本（試行)》), Notice on Further Strengthening the Work Related to the Regulation of Online Information for Entertainment Artists (《關於進一步加強娛樂明星網上信息規範相關工作的通知》), Administrative Measures for Performance Brokerage Agencies in the Field of Radio, Television and Online Audiovisual Platforms (《廣播電視和網絡視聽領域經紀機構管理辦法》). To standardize the selection, contract management and ethical requirements of the Group's artists and trainees, we have developed policies such as the Exclusive Brokerage Contract Management System on Trainee Cultivation and Performer (《練習生培養和演藝人員獨家經紀合同管理制度》) and the Systematized and Regulated Code of Conduct (《制度與規定行為準則》). These policies aim to ensure that we follow professional standards and ethical norms in the process of artists and trainees cultivation, so as to protect their rights and interests and establish good professional code of conduct.

We discover candidates with potential through various channels. We need to carry out prior due diligence and comprehensive analysis when selecting artists and trainees, so as to ensure that they meet essential criteria such as fair moral standing, no negative publicity, no illegal or criminal act or administrative penalty record, and clear political stance. In China, when signing contracts with minor trainees, we shall obtain prior consents from their guardians. Their guardians shall also participate in the whole process of contract negotiation. We also ensure that trainees can receive and complete compulsory education. To ensure compliance operation, the Legal Department of the Group will regularly provide legal knowledge training and guidance for staff who are responsible for handling contracts.

Regarding daily work and character management, we require our artists to strictly adhere to schedules arranged by staff and complete all performing work on time while guaranteeing both quality and quantity. Regarding personal speech and behavior in daily life, we strictly prohibit artists from committing any act that is immoral, illegal or criminal. Artists shall not privately contact fans, accept gifts from fans, or exchange contact information with fans without permission. Artists shall not engage in alcohol abuse or smoking in public places, during work hours or in open areas. If there is any violation of regulations, the Group will take relevant measures to handle the violation.

To maintain the quality of the product of music production, we have established a selection system for music producers, music tapes and cooperative musicians. Under the system, we will require relevant suppliers to provide previous works or company profile. Then, relevant department of the Group will conduct quality rating, assessment and selection based on their industry reputation, professionalization, marketing, etc. Those qualified suppliers will be included in the selected supplier list, and we will conduct music production cooperation with these suppliers according to their ratings. When establishing new music production projects, we select copyright companies, producers, composers and lyricists according to the rating system. We will closely monitor the quality of music production. We assess quality of music from two perspectives including the reference data and artistic aesthetics of producer's previous works and reputation. At every stage of music production, including music arrangement, recording, post-editing, mixing and mastering, we discuss on professional subjects on intonation, beat, mood of songs, frequency, etc. The producers and department heads will also consider artists' suggestions. After works being finished, the master tapes shall be delivered in a required format to ensure the quality of music compositions.

We value customers' comments and actively respond to our customers' feedback. Upon receiving customers' comments on artists by our staff, we will immediately and actively communicate with customers and address the comments. We have set up a mailbox for collecting fans' feedback. We welcome fans' opinions on us. The communication and cooperation with customers and fans will facilitate continuous improvement in the quality of works of the Group.

The Group's major suppliers are artist suppliers who are subject to relatively low environmental and social risks. We have developed relevant policies to regulate the social risks of artists. In addition to artist suppliers, we will require other cooperative suppliers to sign integrity commitment letters to prevent bribery and inappropriate business behaviors. We will review the business development of the Group, and develop risk management policies and green procurement policies for suppliers other than artists as and when appropriate.

The Group is not involved in any product which is subject to recall for safety and health reasons. Our main businesses does not involve product recall, and we didn't receive any complaint on product.

In the Year, we have 3,554 suppliers in total, including 3,333 overseas suppliers and 221 domestic suppliers.

2.3 Advertising Endorsements

To ensure that artists carry out advertising endorsement services in a compliant and authentic manner and image, protect the rights and interests of artists, bring benefits for customers and the public and improve information delivery and publicity, we strictly comply with the requirements for advertising endorsements under the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), Administrative Measures for Standardizing Radio, Television and Online Audiovisual Platforms (《廣播電視和網絡視聽標準化管理辦法》), Compliance Guidelines for Artists' Advertising Endorsement Behavior (《明星廣告代言行為合規指引》) and Guidance on Further Regulating the Endorsement by Artists in Advertising Activities (《關於進一步規範明星廣告代言活動的指導意見》and collaborated with the special action to "Loudly and Clearly Improve the Internet Environment for 2023 Spring Festival (清朗• 2023年春節網絡環境整治)" launched by the Office of the Central Cyberspace Affairs Commission (中央網信辦). We also set up the Specific Process System (《專項流程制度》), Endorsement Exhibition Withdrawal System (《代言撤展制度》) and Publicity Department Management System (《宣傳部管理制度》) to ensure the compliance and authenticity of advertising endorsement activities. These systems standardized the process of advertising endorsements, including the evaluation and management of endorsement projects, as well as necessary endorsement exhibition withdrawal procedures. By adhering to these systems, we are committed to maintaining a good industry norm, providing high-quality advertising endorsement services, and safeguarding the healthy development of the advertising market.

To ensure the compliance and authenticity of cooperative brands, we will require counterparts to provide relevant qualification documents such as business licenses, trademark registration certificates, operation or production licenses and quality inspection reports for related products. We resolutely eradicate false or exaggerated propaganda. Before signing contracts, we will require artists to use the products or experience the services of the cooperative brands, record the usage process and feelings to ensure the authenticity of those products and services, and send the records to the Legal Department of the Group for record-keeping. The endorsement duration has been stipulated in the cooperation contract, and the exhibition must be withdrawn after the end of endorsement duration. We stipulate an exhibition withdrawal period in the contract. If the exhibition fails to be withdrawn after the expiration of the exhibition withdrawal period, the Legal Department will proceed with subsequent rights protection.

To standardize publicity work, we strictly require employees to check before publishing any content to ensure that the content is not illegal, does not involve inappropriate values, and does not violate social order, good customs and other requirements. Meanwhile, employees will also review and prompt the content posted by artists' social media accounts to ensure the content does not violate the above requirements. In case of any non-compliant content being identified, we will conduct rectification in a timely manner. These measures aim to ensure that our publicity work follows the principles of legality and compliance, and maintain good social image and values.

During the Year, the Group did not violate any regulations regarding advertising endorsement.

2.4 Personal Privacy Protection

The Group safeguards personal information. We only collect personal data agreed to be provided by trainees and artists and do not deliberately collect the privacy information of followers of artist fan club. We stipulate in the Employee Handbook (《員工手冊》) that employees have the responsibility to protect customer data, company personnel data, all information related to artists and publicity materials, and they are obliged to keep confidentiality of customer and artist information, etc. In addition to standardizing the compliance of publicity data, the Publicity Department Management System also regulates the protection standards of artist information. We strictly prohibit employees from disclosing any information about artist privacy or personal itinerary. Employees are required to check before publishing content to ensure that the content does not include any personal privacy content. Employees also have the responsibility to review and prompt the content posted by artists to avoid any personal privacy content.

During the Year, the Group did not violate any regulations regarding personal data.

2.5 Protection of Intellectual Property Rights

The Group respects intellectual property rights. In addition to actively protecting its own rights and interests, the Group also protects the intellectual property rights of third parties from infringement. We comply with the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), and have formulated the Intellectual Property Rights Management System (《知識產權管理制度》) and the Genuine Software Management System (《正版軟件管理制度》).

The Group owns the work products of the Group completed by its employees in the name of the Group and utilizing the Group's resources. When entrusting third parties for design and development and other relevant cooperation, the contract shall specify the ownership, allocation and protection and other matters of intellectual property rights. The use of intellectual property rights follows the principle of "contract first, execution later (先簽約，後執行)". No one is allowed to use the Group's intellectual property rights without signing a contract. No one is allowed to transfer, sell, use or embezzle the Group's intellectual property rights without permission. In case of any illegal use, tampering or theft of intellectual property rights, the Legal Affairs Department will conduct investigation based on evidence and take different measures to protect rights according to the situation or decide whether to pursue criminal liability. The Group's employees are also prohibited from any infringement acts. If such acts are discovered, we will order to carry out corresponding rectification, and the infringer shall bear the relevant responsibilities or economic losses.

The genuine software installed on the computers of the Group is purchased together with the computers, and the Integrated Management Department is responsible for the preservation, backup and distribution of genuine software. The Integrated Management Department regularly checks the software used by the Group. If any non-compliant or non-genuine software is discovered, it must be uninstall immediately. We will offer employees more training on intellectual property rights, and we also stipulate in the Employee Handbook the responsibilities of employees to protect and comply with intellectual property rights.

During the Year, the total number of intellectual property works of the Group is 371, including 33 copyright works and 338 trademarks.

2.6 Compliance and Integrity Operation

The Group strictly prohibits any fraudulent, corrupt, bribery behavior, and no employee is allowed to engage in any form of illegal activities. We strictly comply with the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), Anti-Terrorism Law of the People's Republic of China (《中華人民共和國反恐怖主義法》), Company Law of the People's Republic of China (《中華人民共和國公司法》) and other legal and regulatory requirements, and have developed policies such as the Internal Audit System (《內部審計制度》), Anti-Money Laundering Management System (《反洗錢管理制度》) and Anti-Fraud, Anti-Corruption and Anti-Bribery Management System (《反舞弊、反腐敗和反賄賂管理制度》).

We have set up a dedicated anti-money laundering team to carry out money laundering risk management work. We will collect information to identify the identity of customers, account data and transaction information according to legal and regulatory requirements. If any suspicious transactions are found, we will submit suspicious transaction reports to relevant units.

In order to promote the Group's anti-fraud, anti-corruption and anti-bribery work, the Group strictly prohibits any employees from offering cooperative units any form of benefits to obtain cooperation opportunities. We will assess the risks of fraud, corruption and bribery faced by the Group and take corresponding control measures to reduce the likelihood of risk occurrence. The Group's special integrity working group carries out anti-fraud, anti-corruption and anti-bribery work for the Audit Committee and the Board, and the Board and the Audit Committee will provide guidance and supervision. The Audit Department audits the legality, compliance, authenticity and integrity of the Group's financial receipts and expenditures and economic activities. In case of any violation of regulations being found, it shall report to the Board, carry out investigation and offer suggestions for handling. If any risks or weaker links in internal control are found during the audit process, the Audit Committee shall report to the Board and monitor such situation on an ongoing basis.

The Group has established an integrity reporting email box, and all employees and third-party units can report to our special integrity working group through relevant channels. After the special integrity working group receiving the report, we will organize different units to investigate the reported person(s). If the investigation involves senior employees, after obtaining confirmation from the Board, we will organize a special investigation team for investigation. We will invite external experts to participate in the investigation when necessary. We will provide feedback to the informer on the investigation results, and based on the investigation results, we will also make assessment and improvement suggestions for the internal control of the reported unit.

During the Year, the Group did not violate any relevant laws and regulations regarding corruption, bribery and extortion. In addition, the Group recorded no legal case which was brought against the Group or its employees by reason of relevant practices during the Year.

During the Year, all directors and all domestic employees of the Group participated in the anti-corruption training. Its specific content was corporate compliance training on integrity. The training content included legal frameworks for anti-corruption in different regions, the anti-corruption measures that enterprises could take as well as the international and inter-regional anti-corruption cooperation frameworks.

3. TALENT MANAGEMENT

3.1 Talent Recruitment Measures

The Group fully recognizes the importance of talents in its development, so we are committed to providing employees with comprehensive compensation, benefits, subsidies, occupational safety and development opportunities. We hire outstanding employees and grow with them. We strictly abide by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Labor Standard Act of Korea (근로기준법), Administrative Measures for Performance Brokerage Agencies in the Field of Radio, Television and Online Audiovisual Platforms and other regulatory requirements, and have formulated the Employee Handbook (《員工手冊》) which specifies our systems on recruitment, labor relationship, attendance, remuneration, welfare, etc.

Our Integrated Management Department will conduct recruitment according to the Group's demand for human resource. Recruitment is carried out based on the principles of "open recruitment and merit-based employment" and "prioritization of internal personnel under equal conditions". Applicants shall provide true personal information, including personal identity certificate, academic certificates, etc. If there is any concealment or fabrication, the contract will be terminated immediately. We will prioritize internal re-designation in staff recruitment. Internal re-designation is evaluated based on employees' work performance, abilities, knowledge and experience. The re-designation shall obtain approval from the management. We oppose any discrimination. We do not tolerate any discrimination on gender, health condition, race, skin color, nationality, religious beliefs, etc. The Employee Handbook stipulates complaint procedures, and employees can propose complaints, communication and suggestions on the work, labor conditions and employee relationships, etc. An employee must give a 30 days' prior written notice to apply for resignation which will take effect upon approval by the supervisor and the Integrated Management Department. Employees shall hand over their duties and relevant materials before demission. We will have an interview with employees to understand the reasons for resignation.

The Group prohibits any child labor and forced labor. We will require applicants to submit identity evidence documents and prohibit the employment of minors. We sign contracts with employees on voluntary and equal basis, and we prohibit any form of forced labor. We have stipulated employee attendance time, and the Group does not advocate or propose overtime work.

During the Year, the Group registered no legal case related to non-compliance with any law regarding compensation, equal opportunity, diversity, anti-discrimination as well as other treatment and benefits.

3.2 Protection of Staff Rights and Interests

We have established an employee remuneration system, providing employees with a competitive remuneration and benefit structure, and regularly adjust their remuneration to maintain employees' remuneration competitiveness and reward those who contribute to the business. Employee remuneration consists of basic salary, bonus and various benefits, etc. Basic salary is determined based on the Group's operating conditions, target talent market and the evaluation of different job positions, while the evaluation involves employee responsibilities, abilities, experience, etc. Salary adjustments for employees are based on factors such as operating performance and price inflation indices. We also provide bonuses to reward employees who make special contributions to the Group, develop major businesses, successfully complete their work. In addition to bonuses, we provide various subsidies and benefits to employees, such as the legally required "five categories of social insurance and one housing fund (五險一金)", lunch subsidies, birthday bonuses, holiday bonuses and employee stock dividends. In addition to statutory annual leave, we provide employees with maternity leave, prenatal check-up leave, marriage leave, bereavement leave, sick leave, work-related injury leave, personal leave, etc.

3.3 Occupational Health and Safety

We pay attention to the workplace safety, strictly adhere to the fire prevention and safety regulations, and prohibit employees from lighting fires in designated areas or smoking in the workplace. If employees discover any potential hidden safety or fire risks, they should report to the Integrated Management Department or relevant departments. We provide safety education for new employees. To cater to the needs of employees, we provide annual physical examination services for employees to monitor their own physical health. During the Year, employees also participated in fire prevention training and firefighting drills to enhance their fire prevention awareness.

During the Year, the employees of the Group did not record any lost days due to work injury. There was no work-related fatality occurred in the Group in the past three years (including the Year).

3.4 Career Development of Employees

Employee growth plays a crucial role in the long-term development of the Group, so we provide various types of training for employees, such as orientation training for new employees, quality training, job skill training and management personnel training, etc. Orientation training for new employees covers the Group's history, corporate culture and relevant rules and regulations. Training aims to improve employees' job skills by providing them with various internal training courses, and we will also seek external resources to provide suitable training for employees. Employees may submit application to us if they need to participate in external training, and the Group will bear the training costs for them.

During the Year, we provided new employee orientation training and anti-corruption training for newly hired employees. Furthermore, we provided training on issues such as preventing sexual harassment at workplace, protecting personal data, safeguarding the rights and interests of disabled employees and preventing workplace bullying for employees at the Korean subsidiary.

In order to motivate employees' work performance, we conduct regular performance appraisal on employees, determining rewards or penalties based on their performance. Direct supervisors and higher-level supervisors assess and recognize the evaluation results of employees and then arrange meeting and discussion with them. During the Year, we assessed employees based on their financial operation indicators, key matter indicators, such as major works of the team, core projects in the individual's key work, etc. Violations of rules and regulations will result in point deduction. Excellent-performing employees are given opportunities for promotion and salary increases, while underperforming employees face salary cut, reassignment of position, etc.

3.5 Corporate Culture Activities

To promote the unity within Yuehua family, demonstrate our culture, enhance employee cohesion and alleviate work pressure, we regularly organize various team-building activities or gatherings, providing employees with opportunities to relax and reduce work pressure while increasing enthusiasm for work at the same time. During the Year, we held the Yuehua Annual Party.

YH Entertainment Annual Party 2023

4. ENVIRONMENTAL PROTECTION

The Group strictly abides by the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), and actively implements environmental protection measures and integrates environmental elements into daily operations, striving to build a green office environment. As the Group's business does not involve production processes, its impact on the environment is relatively limited. During the Year, the Group did not violate any regulations related to environmental protection or has major accidents affecting the environment and natural resources, nor did it face any penalties and litigation related to environmental protection.

During the Year, the Group's artists continued to exert influence by participating in multiple environmental protection-related activities, promoting and advocating issues on environmental protection and biodiversity conservation. For example, artist Wang Yibo served as the "WildAid Ambassador (野生救援公益大使)", artist Tang Jiuzhou served as the "Earth Hour – Promoter for Cherishing Nature (地球一小時珍愛自然星推官)", "Advocate for Sanjiangyuan Biodiversity Conservation (三江源生物多樣性保護倡議官)" and "Lucid Water and Lush Mountain Guardian in the Public Welfare Festival Calling for Everyone' Participation (人人公益節綠水青山守護官)", and the NAME Group served as the "Earth Hour – Promoter for Cherishing Nature".

During the Year, the Group's greenhouse gas emissions, electricity consumption and water consumption increased compared to last year. This was due to the cessation of work-from-home arrangement after the lifting of pandemic control measures, leading to an increase in the use of office resources. However, the non-hazardous waste generation intensity for the Year decreased compared to previous years. Despite facing challenges, we will adhere to existing environmental targets and continuously comply with relevant environmental laws and regulations in various operational areas. We will strive to maintain or lower greenhouse gas emission intensity, waste generation intensity, electricity consumption intensity and water consumption intensity.

4.1 Green Operation

Energy Conservation and Carbon Reduction

To control energy and carbon emissions, we will use natural daylight for illumination as much as possible and adopt energy-efficient lighting fixtures. Lighting and air conditioning should be turned off when not needed and during non-working hours. Computers and printers will be completely turned off or set to be in standby mode during non-usage periods. During hot weather days or when no visitors are expected, employees are allowed to wear lightweight and casual outfits to work, so as to reduce the occurrence of lowering air conditioning temperature. To continuously monitor the energy consumption, we will monitor the electricity consumption through electricity statistics for continuous improvement.

In addition to reducing energy consumption, we will actively take other measures to reduce carbon emissions. These include using video conferencing as much as possible during operations to minimize the carbon emissions generated from unnecessary business travel. We will also encourage employees to use public transportation to reduce carbon emissions. In daily office operations, we will promote the concept of a low-carbon lifestyle. During the Year, the Group's electricity consumption was 263,192.00 kWh, representing an electricity consumption of 71.13 kWh per square meter and 1,595.10 kWh per employee.

During the Year, the Group's greenhouse gas emissions were 168.78 tonnes, representing a greenhouse gas emission of 0.05 tonne per square meter and 1.02 tonne per employee.

Greenhouse gas emission	Unit	2023
Direct greenhouse gas emissions (Scope 1)	tonnes of CO_2e	**18.68**
Indirect greenhouse gas emissions (Scope 2)	tonnes of CO_2e	**150.10**
Total greenhouse gas emissions (Scope 1 and 2)	tonnes of CO_2e	**168.78**
Greenhouse gas emission intensity (per square meter) (Scope 1 and 2)	tonnes of CO_2e/m^2	**0.05**
Greenhouse gas emissions per employee (Scope 1 and 2)	tonnes of CO_2e/employee	**1.02**

Water Conservation and Consumption Reduction

We will post labels at each water consumption location to remind employees to turn off faucets tightly to prevent dripping. We regularly check water meter readings and conduct leakage tests on water consumption equipment. We will fix any leaks that are discovered. We will also choose faucets and toilets with water-saving labels and designs, such as infrared sensors and double-flush systems.

During the Year, the Group's water consumption was 1,025.00 cubic meters, representing a water consumption of 0.28 cubic meter per square meter and 6.21 cubic meters per employee. The Group sources water only from the municipal water supply services, and there is no difficulty in sourcing water.

Conservation and Waste Reduction

We advocate for waste reduction and reuse in the office, encouraging employees to reuse stationery items such as envelopes, binders, file cards and rechargeable batteries to reduce the use of disposable items. We also promote the classification and recycling of waste, such as paper and metal. The Group has formulated the Proposal for Reducing Paper Consumption (《節約用紙倡議書》), in which we encourage employees to follow the principle of "avoid printing or photocopying if unnecessary (能不打印就不打印，能不複印就不複印)" and to reduce paper waste through sensible layout and double-sided printing. We also encourage employees to reuse waste paper by setting up waste paper collection points for employees to reuse for note taking.

During the Year, the Group's paper consumption was 546.88 kg, representing a paper consumption of 3.31 kg per employee. The amount of non-hazardous waste produced was 3,960.00 tonnes, representing an amount of non-hazardous waste produced per employee of 24.00 tonne. The Group is not involved in the production of a large number of products or derivatives, and therefore does not consume a significant amount of packaging materials.

The Group is not a manufacturing enterprise and does not involve in industrial waste emissions and significant hazardous waste generation, therefore relevant disclosure is not made.

Emission Control

All of the Group's emissions come from vehicle use. We will use electric vehicles or hybrid vehicles and encourage employees to take public transportation more often. Furthermore, we will carry out regular vehicle tire checks and fleet maintenance and inflate vehicle tires, so as to ensure that vehicles operate in optimal condition. We also require to reduce vehicle engine idling to minimize unnecessary emissions.

During the Year, the Group emitted 56.15 kg of nitrogen oxides, 0.10 kg of sulphur oxide and 5.38 kg of particulate matters.

4.2 Climate Change

Facing the challenges of global climate change, the Group recognizes its significant responsibility and takes proactive action. We understand the impact of climate change on our operations, compliance and reputation, etc. To address the risks and seize the opportunities brought by climate change, we have conducted comprehensive assessments and analyses to identify and evaluate its impact on our business. Based on these assessment results, we have formulated corresponding measures to mitigate climate change-related risks and seize related opportunities.

Types of risks	Risk level	Potential impacts	Countermeasures
Physical risk			
Extreme heat Water shortage	low low	Extreme weather affects daily operations and performing activities	• Monitor the weather changes during performing activities; • Develop contingency plans for extreme weather; • Promote water and energy conservation measures
Transition risk			
Failure to comply with the development of global climate change policies and regulations	low	Increased disclosure costs; increased regulatory requirements	• Track the latest policy requirements; • Integrate requirements into management policies
Stakeholders' concern about climate change issues	low	Damage to reputation; difficulty in gaining stakeholder support	• Increase the ESG report's disclosure of climate change and low-carbon operating practices
Endorsed products or performing works with environmental impacts or environmental awareness concerns	low	Damage to reputation; reduced cooperation; loss of competitiveness	• Review the relevant products and works and assess the risk; • Strengthen green-related training

5. COMMUNITY ENGAGEMENT

In the process of its own development, the Group also considers the development of community public welfare. As an influential entertainment company, our artists actively participate in various public welfare affairs, engage in different types of public welfare activities, and disseminate information for people to care for the community and help those in need. During the Year, our artists participated in the following public welfare activities.

Bi Wenjun: Bazaar Public Welfare – One Hour after School (芭莎公益課後一小時), Tencent Public Welfare – May Eighth Humanity Public Welfare Day (騰訊公益58人道公益日);

Huang Minghao: Tencent Public Welfare – Little Safflower Love Transmitter (騰訊公益小紅花愛心傳遞官);

Wu Xuanyi: Tencent Public Welfare – Little Safflower Love Transmitter, Tencent Public Welfare – 99 Giving Day Love Spreader (騰訊公益99公益日愛心傳播官), Providing Sanitary Napkins for Her Charity Ambassador (予她同行公益大使);

Huang Xinchun: Tencent Public Welfare – Little Safflower Concert (騰訊公益小紅花音樂會), Tencent Public Welfare – 99 Giving Day Love Supporter (騰訊公益99公益日愛心助力官), Tencent Public Welfare – Public Welfare Spreader (騰訊公益公益傳播官), Tencent Public Welfare – Zhejiang Charity Special Event to Help Achieve Common Prosperity (騰訊公益浙江慈善專場助力共同富裕);

Wang Xi: Kuwo Music – Love Decibel Public Welfare Transmitter (酷我音樂愛的分貝公益傳遞官);

Tang Jiuzhou: China Foundation for Rural Development – Cheer for the Future Project Spreader (中國鄉村發展基金會加油未來項目傳播官), China Foundation for Rural Development – May Twentieth Student Nutrition Day Activity Love Advocator (中國鄉村發展基金會520學生營養日活動愛心倡導者);

NAME Group: Ear Care Day Public Welfare Transmitter (全國愛耳日公益傳遞官);

Li Wenhan: Tencent Public Welfare – "Two Pioneers" Zhejiang Charity Special Event – Collect Little Safflowers to Do Good Deeds Public Welfare Supporter (騰訊公益「兩個先行」浙江慈善專場用小紅花一塊做好事公益助力官);

Wang Yibo: Emergency Management Public Welfare Publicity Ambassador (應急管理公益宣傳大使), Luoyang Firefighting Publicity Public Welfare Ambassador (洛陽消防宣傳公益使者);

Meng Meiqi: Autism Star Guardian (孤獨症星星守護官), Rural Revitalization Public Welfare Supporter (鄉村振興公益助力官)

During the Year, Yuehua brought vitality to the community. We held the "Pokémon Shining Party – Young Trainer Development (寶可夢閃耀派對少年訓練家養成記)" at YH SPACE of the Group, which invited professional Pokémon card game teachers to provide free gameplay and cards of the card game for children and parents in the community. Children and grown-ups in the community and teachers from the "Pokémon Gym (寶可夢道館)" in YH SPACE were having fun together. For the community-exclusive group of YH SPACE, we also provided one-on-one teaching lessons by teachers. Those activities enhanced the social inclusion and family harmony. During the Year, a total of 2 employees of the Group participated in the public welfare activities, with a service time of 12 hours.

"Pokémon Gym" in YH SPACE

APPENDIX I: SUSTAINABILITY DATA SUMMARY

Environmental Aspect	Unit	2023
Air pollutant emissions		
Nitrogen oxide	kg	56.15
Sulphur oxide	kg	0.10
Particulate matter	kg	5.38
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tonnes of CO_2e	18.68
Indirect greenhouse gas emissions (Scope 2)	tonnes of CO_2e	150.10
Total greenhouse gas emissions (Scope 1 and 2)	tonnes of CO_2e	168.78
Greenhouse gas emission intensity (per square meter) (Scope 1 and 2)	tonnes of CO_2e/m^2	0.05
Greenhouse gas emissions per employee (Scope 1 and 2)	tonnes of CO_2e/employee	1.02
Energy consumption		
Purchased electricity consumption	kWh	263,192.00
Purchased electricity consumption intensity (per square meter)	kWh/m^2	71.13
Purchased electricity consumption per employee	kWh/employee	1,595.10
Petrol consumption	liter	7,027.02
Water consumption		
Total water consumption	m^3	1,025.00
Water consumption intensity (per square meter)	m^3/m^2	0.28
Water consumption per employee	m^3/employee	6.21
Paper consumption		
Total paper consumption	kg	546.88
Paper consumption intensity per employee	kg/employee	3.31
Waste generation		
Total non-hazardous waste produced	tonnes	3,960.00
Non-hazardous waste produced per employee	tonnes/employee	24.00

Social Aspect	Unit	2023
Number of employees		
Total number of employees	no. of people	**215**
Number of employees by gender		
Female employees	no. of people	**156**
Male employees	no. of people	**59**
Number of employees by category		
Short-term contract/part-time employees	no. of people	**1**
Full-time junior employees	no. of people	**149**
Full-time mid-level employees	no. of people	**35**
Full-time senior employees	no. of people	**30**
Number of employees by age		
Employees aged below 30	no. of people	**107**
Employees aged 31–50	no. of people	**103**
Employees aged above 50	no. of people	**5**
Number of employees by geographical region		
Employees in Northern China	no. of people	**162**
Employees in other region of China (including Hong Kong, Macau and Taiwan)	no. of people	**3**
Employees in Korea	no. of people	**50**
Employee Turnover[1]		
Total employee turnover rate	%	**28.37**
Turnover rate of female employees	%	**15.38**
Turnover rate of male employees	%	**62.71**
Turnover rate by age		
Turnover rate of employees aged below 30	%	**32.71**
Turnover rate of employees aged 31–50	%	**25.74**
Turnover rate of employees aged above 50	%	**0.00**
Turnover rate by geographical region		
Turnover rate of employees in Northern China	%	**20.99**
Turnover rate of employees in Korea	%	**54.00**
Occupational Health and Safety		
Number of work-related fatalities occurred in each of the past three years (including the reporting year)	no. of people	**0**
Rate of work-related fatalities occurred in each of the past three years (including the reporting year)	%	**0.00**
Lost days due to work injury	day	**0**
Employee training		
Percentage of employees trained by gender[2]		
Male employees	%	**23.28**
Female employees	%	**76.72**

1 The turnover rate by employee category is calculated as: number of departed employees in the category ÷ total number of employees in the category at the end of the period × 100%

2 The percentage of employees trained by employee category is calculated as: number of employees trained in the category ÷ total number of employees trained × 100%

Social Aspect	Unit	2023
Percentage of employees trained by employee category[2]		
Short-term contract/part-time employees	%	**0.53**
Full-time junior employees	%	**75.13**
Full-time mid-level employees	%	**13.76**
Full-time senior employees	%	**10.58**
Average training hours of employees by gender[3]		
Female employees	hour	**0.17**
Male employees	hour	**0.47**
Average training hours of employees by employee category[3]		
Full-time junior employees	hour	**0.18**
Full-time mid-level employees	hour	**0.77**
Full-time senior employees	hour	**0.82**

3 The average training hours of employees by employee category is calculated as: training hours of employees in the category ÷ total number of employees in the category

APPENDIX II: HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE INDEX

Indicators			Related Sections
A. Environmental Aspect			
A1. Emissions	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4. ENVIRONMENTAL PROTECTION
	A1.1	The types of emissions and respective emission data.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
	A1.3	Total hazardous waste produced and intensity.	The Group is not involved in the generation of a significant amount of hazardous waste
	A1.4	Total non-hazardous waste produced and intensity.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
	A1.5	Description of emission target(s) set and steps taken to achieve them.	4. ENVIRONMENTAL PROTECTION
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4. ENVIRONMENTAL PROTECTION
A2. Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4.1. Green Operation
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
	A2.2	Water consumption in total and intensity.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.1. Green Operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.1. Green Operation
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	The Group is not involved in the production of a large number of products, and therefore does not consume a significant amount of packaging materials.

Indicators			Related Sections
A3. Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	4. ENVIRONMENTAL PROTECTION
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4. ENVIRONMENTAL PROTECTION
A4. Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.6. Climate Change
	A4.1	Description of the significant climate related-issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.6. Climate Change
B. Social			
Employment and Labor Practices			
B1. Employment	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3. TALENT MANAGEMENT
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
	B1.2	Employee turnover rate by gender, age group and geographical region.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
B2. Health and Safety	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.3. Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years (including the reporting year).	3.3. Occupational Health and Safety
	B2.2	Lost days due to work injury.	3.3. Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.3. Occupational Health and Safety

Indicators			Related Sections
B3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.4. Career Development of Employees
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	APPENDIX I: SUSTAINABILITY DATA SUMMARY
	B3.2	The average training hours completed per employee by gender and employee category.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
B4. Labor Standards	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labor.	3. TALENT MANAGEMENT
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	3. TALENT MANAGEMENT
	B4.2	Description of steps taken to eliminate such practices when discovered.	3. TALENT MANAGEMENT
Operating Practices			
B5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.2. Creating Entertainment Value
	B5.1	Number of suppliers by geographical region.	2.2. Creating Entertainment Value
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	2.2. Creating Entertainment Value
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.2. Creating Entertainment Value
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Not applicable to the Group's core operations

Indicators			Related Sections
B6. Product Responsibility	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.3. Advertising Endorsements; 2.2. Creating Entertainment Value
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's core operations
	B6.2	Number of products and service related complaints received and how they are dealt with.	2.2. Creating Entertainment Value
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.5. Protection of Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	Not applicable to the Group's core operations
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.4. Personal Privacy Protection
B7. Anti-corruption	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.6. Compliance and Integrity Operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	2.6. Compliance and Integrity Operation
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	2.6. Compliance and Integrity Operation
	B7.3	Description of anti-corruption training provided to directors and staff.	2.6. Compliance and Integrity Operation
B8. Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5. COMMUNITY ENGAGEMENT
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	5. COMMUNITY ENGAGEMENT
	B8.2	Resources contributed (e.g. money or time) to the focus area.	5. COMMUNITY ENGAGEMENT

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period. All references in this section "Directors' Report" to other sections in this report form part of this section.

GLOBAL OFFERING

On June 10, 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on January 19, 2023.

PRINCIPAL ACTIVITIES

The Group primarily engage in artist management in China and its business covers the whole lifecycle of artist management, including artist training, artist operation and artist promotion. The Group's business model consists of the following three business lines: (i) artist management; (ii) music IP production and operation; and (iii) pan-entertainment business.

The Company is an investment holding company and the principal businesses of its principal subsidiaries are set out in Note 40 to the consolidated financial statements.

A list of the Company's principal subsidiaries as of December 31, 2023, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 40 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, an analysis of the Group's financial performance, events affecting the Group that have occurred subsequent to the end of the financial year, and an indication of likely future development in the Group's business, are set out in the section headed "Management Discussion and Analysis" of this report. A description of the principal risks and uncertainties faced by the Group, key relationship between the Group and its employees, customers and suppliers, the environmental policies of the Group and compliance with the relevant laws and regulations which have significant impact are set out below.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's results of operations are subject to various factors with the key risks summarized below:

- The Group's business depends significantly on its managed artists' reputation and the public's perception of its brand. Any negative publicity on its managed artists, the Company and management, business partners or industry, may harm the brand image of the Group, which could materially and adversely affect the Group's business, financial condition or results of operations;

- The Group generates a substantial portion of its revenue from its artist management business. If the Group fails to maintain the relationship with artists and trainees or enlarge the number of artists and trainees managed by the Group, its business, financial condition and results of operations could be materially and adversely affected;

- The Group's business is highly sensitive to public tastes and is dependent on its ability to secure and develop popular artists, and the Group may not be able to anticipate or respond effectively to changes in audience's preferences and market trends, which could materially and adversely affect its business, financial condition and results of operations;

- The Group's business depends, in significant part, on the general prosperity and development of China's overall entertainment industry, corporate spending and discretionary consumer spending. Challenging economic conditions and other negative factors may impact corporate and consumer spending, which could have a material adverse effect on its business, financial condition and results of operations; and

- If the Group fails to maintain the business relationship with its major customers or expand its customer base, its business, financial condition and results of operations could be materially and adversely affected.

Since the above is not an exhaustive list, investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

For more details of other risks and uncertainties by the Group, please refer to the section headed "Risk Factors" in the Prospectus.

ENVIRONMENT POLICIES AND PERFORMANCE

The Company steadfastly believes that corporate social responsibility and sustainable growth are instrumental to the continuing prosperity of its business. The Company is dedicated to integrating the principles for environmental, social and corporate governance ("**ESG**") with all aspects of its day-to-day business. The Company has adopted an ESG policy which sets forth the constitution and obligations of our ESG committee, ESG governance structure, ESG strategy formation procedures, and ESG risk management and monitoring. Pursuant to our ESG policy, our Board assumes the overall responsibility of overseeing the implementation of our ESG policy, identifying, assessing and managing the influence of important ESG matters, such as climate-related risks and opportunities, and setting goals in respect of ESG-related matters. The ESG committee, which is a sub-committee of the Board, is tasked with determining and reviewing our ESG target, strategy and internal policy, identifying ESG-related risks and opportunities, and reviewing and monitoring ESG practices.

For more details, please refer to the section headed "Environmental, Social and Governance Report" of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated financial statements of this report.

The Board has resolved not to recommend payment of a final dividend for the year ended December 31, 2023.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including the substantial shareholders, employees, customers, and suppliers.

Shareholders

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes regular communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular conversations with the Shareholders and listen carefully to the viewpoints and feedback from the Shareholders. This has been and will be done through general meetings, corporate communications, interim and annual reports, results announcements, and providing official e-mail address on company's website to collect inquiries or information from Shareholders.

Employees

The Group understands that employees play valuable roles during business operations, and the realization and enhancement of employees' values will facilitate the achievement of the Group's overall goals. The Group values the contribution of each employee in different roles and strive to provide a fair and balanced compensation scheme as well as a clear career path. The Group also supports the health and well-being of its employees by providing various benefits, such as annual health checkups and meal allowances.

Customers

The customers of the Group consist primarily of (i) domestic and international brands; (ii) content producers; and (iii) media platforms and music service providers that license music IPs from the Group. The Group is committed to providing high-quality services and products to its customers and enhance the loyalty of the customers by increasing the interaction with customers in order to understand the customer demands, which provide good development to the Group's overall performance in the long run.

For the year ended December 31, 2023, the Group's revenue attributable to its largest customer was approximately RMB41.9 million, representing 5.5% of the Group's revenue.

For the year ended December 31, 2023, the Group's revenues attributable to the five largest customers were approximately RMB157.0 million, accounting for approximately 20.8% of the Group's total revenue.

Suppliers

The suppliers of the Group consisted primarily of (i) the Group's managed artists and entities controlled by them; (ii) media platforms; (iii) service providers who provide styling, personal security and photography services; and (iv) service providers who provide demos, music compositions and lyrics in connection with the Group's music IP production and operation. The Group has maintained solid and good relationships with its suppliers which ensures quality supply so as to provide high quality services and/or products to customers.

For the year ended December 31, 2023, the Group's purchases from its largest supplier were approximately RMB399.0 million, accounting for 68.7% of the Group's total purchases and the Group's purchases from its five largest suppliers were approximately RMB460.7 million, accounting for approximately 79.3% of the Group's total purchases.

To the best knowledge of the Directors as of the date of this report, all of the Group's five largest customers and suppliers during the Reporting Period were Independent Third Parties. To the best knowledge of the Directors, none of the Directors, their close associates or any Shareholders who owned more than 5% of the issued share capital of the Company, had any interest in the five largest customers and suppliers of the Group during the Reporting Period.

FINANCIAL SUMMARY

A summary of the Group's financial results, assets and liabilities for the last five financial years are set out on page 179 of this report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group in 2023 are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company had no distributable reserve.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reasons of their holding of securities in the Company.

BANK AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2023 are set out in Note 31 to the consolidated financial statements.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Ms. DU Hua *(Chairlady and chief executive officer)*
Mr. SUN Yiding
Mr. SUN Le

Non-executive Directors

Mr. MENG Jun (appointed on June 28, 2023)
Ms. ZHAO Wenjie (resigned on June 28, 2023)
Mr. MENG QINGGUANG (resigned on June 28, 2023)
Ms. YAO Lu (resigned on February 5, 2024)

Independent Non-executive Directors

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing with effect from the date of the appointment, and will continue thereafter until terminated by not less than three months' notice in writing served by the executive Director or as otherwise set out in the service contract.

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for a term of one year with effect from the Listing Date or June 28, 2023, and will continue thereafter until terminated in certain circumstances as stipulated in the relevant letters of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as aforesaid, none of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

REMUNERATION POLICY

As of December 31, 2023, the Group had 215 employees. Total staff remuneration expenses including Directors' remuneration in 2023 amounted to RMB72.0 million. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group and performance-based compensation.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

Remuneration of Senior Management

For details of the Directors and the five highest paid individuals for the year ended December 31, 2023, please refer to Note 11 to the consolidated financial statements of this annual report. The annual remuneration range (including share-based compensation) for senior management members for the year ended December 31, 2023 is as follows:

Remuneration Range	Number of individuals
nil – RMB1,000,000	–
RMB1,000,001 – RMB5,000,000	3
Above RMB5,000,001	2

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. Having considered the factors set out in Rule 3.13 of the Listing Rules, the Company considers such Directors to be independent as of the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of December 31, 2023 Ms. Du Hua and Mr. Sun Yiding, our executive Directors, hold 51% and 49% equity interest in Horgos YueHua Picture Limited (霍爾果斯樂華影業有限公司)("**Horgos Yuehua**"), respectively. Horgos Yuehua is a limited liability company established in the PRC on January 6, 2016, which is principally engaged in production and investment of variety programs, movies and drama series. As distinguished from the business conducted by Horgos Yuehua, the Group's pan-entertainment business mainly includes commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise. The variety program format licensing under the Group's pan-entertainment business refers to Yuehua Korea's sublicensing of the program format of a variety program to a leading online video platform in China, for which it receives licensing fees in return. As such, the variety program format licensing business under the pan-entertainment business is different from the variety program production business conducted by Horgos Yuehua. After the dismantlement of the contractual arrangements in respect of Horgos Yuehua on March 2022 as part of the Group's reorganization, the Group does not intend to engage in the businesses historically conducted by Horgos Yuehua due to its strategic focus on the Group's core business. Therefore, the Directors consider that Horgos Yuehua does not competes and is not likely to compete, directly or indirectly, with our business. For details of the dismantlement of the contractual arrangements with respect to Horgos Yuehua, see "History, Reorganization and Corporate Structure – Reorganization – VI. Dismantlement of Contractual Arrangements" in the Prospectus.

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

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

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 December 31, 2023, 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 of the Company as of December 31, 2023.

(2) As of December 31, 2023, 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 December 31, 2023, 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 December 31, 2023, 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 December 31, 2023, 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 December 31, 2023 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.

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

To the best knowledge of the Directors, as of December 31, 2023, the persons (other than Director 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%

Notes:

(1) The percentage figures disclosed under "Approximate percentage of interest in the Company" are calculated based on the 871,881,000 Shares, being the number of total issued shares of the Company as of December 31, 2023.

(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 December 31, 2023, the Directors were not aware of any persons (who were not directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

USE OF PROCEEDS

The Shares were listed on the Stock Exchange on January 19, 2023. The Company issued 120,060,000 Shares at HK$4.08 on January 19, 2023 and issued 1,821,000 Shares at HK$4.08 upon the partial exercise of the Over-allotment Option on February 15, 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 December 31, 2023:

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	Actual use of proceeds during the year ended December 31, 2023	Unutilized amount as of December 31, 2023	Expected timeline of full utilization of the remaining proceeds
		(HK$ million, except for percentages)			
Continuing to invest in our artist operation	60.0%	239.0	205.4	33.6	
– purchase and renovation of an artist training center in China	45.0%	179.3	179.3	nil	N/A[(1)]
– artist operation and promotion in China	15.0%	59.7	26.1	33.6	By the end of 2024
Expanding our music IP library	15.0%	59.8	27.1	32.7	By the end of 2024
Expanding our pan-entertainment business	15.0%	59.8	29.9	29.9	By the end of 2024
Promote our artist performance in other countries	5.0%	19.9	3.8	16.1	By the end of 2024
Working capital and general corporate purposes	5.0%	19.9	9.4	10.5	By the end of 2024
Total	**100%**	**398.4**	**275.6**	**122.8**	

Note:

(1) As disclosed in the circular of the Company dated August 22, 2023 in respect of the acquisition of the Property, after taking into accounts the commercial negotiation with the Vendor on payment arrangement and after careful assessment and detailed evaluation of the Group's current business needs, the Company decided to apply the net proceeds for purchase and renovation of an artist training center in the amount of approximately HKD179.3 million to partially fund the consideration for the acquisition of the Property by the end of 2023. Although there will be an advancement of the utilization timeline, as the Property will be primarily used and developed as the Company's artist training center to provide the Group's trainees and managed artists with customized training facilities and a pleasant training environment, the Company considers that the usage of such net proceeds is still in line with the intended usage of net proceeds to purchase and develop an artist training center as disclosed in the Prospectus. For further details, please refer to the section headed "Use of Proceeds" in the circular of the Company dated August 22, 2023.

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

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 new Chapter 17 (effective on January 1, 2023) of the Listing Rules. The Company will comply with the new 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.

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.

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

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 December 31, 2023, the remaining life of the Share Incentive Plan was approximately 8 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.

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						Price to be paid upon the vesting and settlement of RSUs (HKD)	Fair value of the RSUs at the date of grant[(1)(4)] (RMB)
		Outstanding as of January 1, 2023	Granted during the Reporting Period[(1)]	Vested during the Reporting Period[(2)]	Cancelled during the Reporting Period[(3)]	Lapsed during the Reporting Period[(3)]	Outstanding as of December 31, 2023		
Director(s) of the Company									
Mr. SUN Le	December 10, 2021	500,000	–	125,000	–	–	375,000	37,500	–
Four highest paid employees during 2023[(5)]									
	December 10, 2021	412,500	–	137,500	–	–	275,000	27,500	–
	March 4, 2022	600,000	–	150,000	–	–	450,000	45,000	–
	December 20, 2022	137,500	–	-	–	–	137,500	13,750	–
Other grantees (excluding the Director and the four highest paid employees during 2023)									
	December 10, 2021	630,000	–	157,500	–	–	472,500	47,250	–
	March 4, 2022	2,994,750	–	748,688	–	–	2,246,062	224,606.2	–
	December 20, 2022	515,250	–	128,812	–	–	386,438	38,643.8	–
		5,790,000	–	1,447,500	–	–	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) RSUs representing 9,375,000 Shares were vested to the grantees during the Reporting Period. The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested was HKD4.565 per Share.

(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 2.18 to the consolidated financial statements.

(5) One of the five highest paid employees for the year ended December 31, 2023 is Mr. SUN Le, our executive Director. The details regarding the RSUs granted to him are disclosed under "Director(s) of the Company" section of the above table.

For more details of the Share Incentive Plan, please refer to "D. Share Incentive Plan" of Appendix V of the Prospectus and Note 39 to the financial statements.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company did not enter into any equity-linked agreements which would or might result in the issue of Shares by the Company, or require the Company to enter into any agreements which would or might result in the issue of Shares by the Company.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company entered into a number of transactions with entities which are connected persons (as defined in Chapter 14A of the Listing Rules) of the Company, and such transactions constituted non-exempt continuing connected transactions or connected transactions of the Company under Chapter 14A of the Listing Rules.

During the Reporting Period, the following parties with whom we have entered into transactions are regarded as connected person under the Listing Rules:

Connected person(s)	Connected relationship
Youku Information Technology (Beijing) Co., Ltd. (優酷信息技術（北京）有限公司) ("**Youku Information Technology**")	Youku Information Technology is a consolidated affiliated entity of Beijing Youku Technology Co., Ltd. (北京優酷科技有限公司), a company wholly owned by Alibaba Investment Limited, which is in turn wholly owned by Alibaba Group Holding Limited. Interform Construction Supplies Limited is an indirect wholly-owned subsidiary of Alibaba Pictures Group Limited. Accordingly, Youku Information Technology and Interform Construction Supplies Limited are fellow subsidiaries of Alibaba Group Holding Limited. Therefore, Youku Information Technology is an associate of Interform Construction Supplies Limited, one of the substantial shareholders of the Company.
Shenzhen Shine Entertainment Co., Ltd. (深圳日月星光傳媒有限公司), ("**Shine Entertainment**")	Shine Entertainment is a company established in the PRC with limited liability. It is principally engaged in the production of variety programs and events planning. As of the date of each of the Agreements, Shine Entertainment was an indirect wholly-owned subsidiary by Chinese Culture Co., Ltd. (華人文化有限責任公司), an associate of our substantial shareholder, CMC Sports Group Limited. Accordingly, transactions under the Agreements with Shine Entertainment constitute connected transactions for the Company and are subject to Chapter 14A of the Listing Rules.

Below set out the details of the non-exempt connected transactions entered by the Company.

Continuing Connected Transaction with Youku Information Technology

Business Cooperation Framework Agreement

Principal terms

On August 16, 2022, Yuehua Limited (for itself and on behalf of its subsidiaries) and Youku Information Technology entered into a business cooperation framework agreement (the "**Business Cooperation Framework Agreement**"), pursuant to which Yuehua Limited shall procure suitable managed artists to perform relevant engagements with Youku Information Technology, including but not limited to entering into endorsement deals for the promotion of Youku membership, performing in variety programs, movies and drama series and other commercial activities.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of engagements, promotion fee, milestone payment schedules and other rights and obligations of the parties, based on the principles and within the parameters provided under the Business Cooperation Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

The initial term of the Business Cooperation Framework Agreement commenced on the Listing Date and expired on December 31, 2023. Such term would be renewed for a term of no more than three years subject to the parties' negotiation and applicable laws and regulations.

Reasons for and benefits of the transactions

Youku is one of the leading online video platforms in China and has great demand for engaging our artists. Our managed artists could in turn benefit from platform-based resources of Youku and gain more public exposure. Through market-oriented cooperation with various business units of Youku Information Technology, we can further enhance the reputation and social influence of our artists, which would bring greater value to our Group. In addition, the terms offered by our Group to Youku Information Technology under the existing underlying agreements are no more favorable than those offered to our other customers which are Independent Third Parties, and we will charge Youku Information Technology service fees with reference to the prevailing market price that is no less than those offered to our other independent customers, hence our services provided to Youku Information Technology are profitable and are in the interests of our Group and the Shareholders as a whole. As such, our services provided to Youku Information Technology under the Business Cooperation Framework Agreement are in the ordinary and usual course of our business and on normal commercial terms.

Pricing policy

The fees we charge Youku Information Technology shall be determined after arm's length negotiation between the parties with reference to various related commercial factors, including (i) the forms of promotion activities and promotion period; (ii) the popularity of artists; (iii) the prevailing market rates of engagement fees for attending the same and similar functions by artists of the same ranking; (iv) the quality and impacts of the relevant engagements; and (v) the workload and duration of the relevant engagements. The aforesaid pricing policies are no more favorable than those available to our other customers which are Independent Third Parties.

The Company has followed the pricing policies as disclosed in the Prospectus and this report in respect of the above continuing connected transactions for the year ended December 31, 2023.

Transactions caps and actual transactions amounts for the Reporting Period

Actual transaction amounts and transaction caps of the abovementioned non-exempt continuing connected transaction for the Reporting Period are as follows:

	Proposed annual caps (RMB in thousands)	Actual transaction amounts (RMB in thousands)
Business Cooperation Framework Agreement	40,000	17,778

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to be, on an annual basis, more than 0.1% but less than 5%, such transaction constitutes continuing connected transaction of the Company and is subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions with Shine Entertainment

A. Entertainment Content Program Production Agreement Dated January 6, 2023

On January 6, 2023, Tibet Yuehua entered into a entertainment content program production agreement with Shine Entertainment (the "**Agreement I**"), pursuant to which certain managed artists of the Group would perform in entertainment content programs produced by Shine Entertainment.

The principal terms of the Agreement I are set out below:

Date: January 6, 2023

Parties:
(i) Tibet Yuehua; and
(ii) Shine Entertainment.

Subject matter

Pursuant to the Agreement I, Tibet Yuehua agreed to arrange certain managed artists of the Group to perform in entertainment content programs produced by Shine Entertainment.

Consideration

The consideration of RMB750,000 (including taxes) shall be payable by Shine Entertainment to Tibet Yuehua through bank transfer.

The consideration was determined after arm's length negotiation between parties with reference to various related commercial factors, including (i) the forms of promotion activities and promotion period; (ii) the popularity of participating managed artists; (iii) the prevailing market rates of engagement fees for attending the same and similar functions by artists of the same ranking; (iv) the quality and impacts of the relevant engagement; and (v) the workload and duration of the relevant engagement. The aforesaid factors setting the consideration are no more favorable than those available to the Group's other customers which are Independent Third Parties.

B. Music IP Licensing Agreement Dated January 28, 2023

On January 28, 2023, Tianjin Chufa (a wholly-owned subsidiary of the Company) entered into a music IP licensing agreement with Shine Entertainment (the "**Agreement II**"), pursuant to which Tianjin Chufa would license the music IP rights to Shine Entertainment for use in the entertainment content program produced by Shine Entertainment.

The principal terms of the Agreement II are set out below:

Date: January 28, 2023

Parties:
(i) Tianjin Chufa; and
(ii) Shine Entertainment.

Subject matter

Pursuant to the Agreement II, Tianjin Chufa agreed to license the music IP rights of a designated song to Shine Entertainment on agreed forms.

Consideration

The consideration of RMB21,200 (including taxes) shall be payable by Shine Entertainment to Tianjin Chufa through bank transfer.

The consideration was determined after arm's length negotiation between parties with reference to various related commercial factors, including (i) the cost and expenses of the music IP production; (ii) the popularity of the managed artist who performed the designated song; (iii) the prevailing market rates of engagement fees for licensing the same and similar music IPs; (iv) the popularity of the designated song; and (v) the forms in which the licensee would use the designated song. The aforesaid factors setting the consideration are no more favorable than those available to the Group's other customers which are Independent Third Parties.

C. Entertainment Content Program Production Agreement Dated May 4, 2023

On May 4, 2023, Tibet Yuehua entered into a entertainment content program production agreement with Shine Entertainment (the "**Agreement III**"), pursuant to which certain managed artists of the Group would perform in entertainment content programs produced by Shine Entertainment.

The principal terms of the Agreement III are set out below:

Date:	May 4, 2023	
Parties:	(i)	Tibet Yuehua; and
	(ii)	Shine Entertainment.

Subject matter

Pursuant to the Agreement III, Tibet Yuehua agreed to arrange certain managed artists of the Group to perform in entertainment content programs produced by Shine Entertainment.

Consideration

The consideration of RMB7,300,000 (including taxes) shall be payable by Shine Entertainment to Tibet Yuehua through bank transfer.

The consideration was determined after arm's length negotiation between parties with reference to various related commercial factors, including (i) the forms of promotion activities and promotion period; (ii) the popularity of participating managed artists; (iii) the prevailing market rates of engagement fees for attending the same and similar functions by artists of the same ranking; (iv) the quality and impacts of the relevant engagement; and (v) the workload and duration of the relevant engagement. The aforesaid factors setting the consideration are no more favorable than those available to the Group's other customers which are Independent Third Parties.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of aggregate transaction amount with Shine Entertainment exceeds 0.1% but is less than 5%, these transactions are subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save as disclosed above, for the year ended December 31, 2023, the Company had no connected transactions or continuing connected transactions which were required to be disclosed under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

For the year ended December 31, 2023, the independent non-executive Directors have reviewed the aforesaid non-exempt continuing connected transactions with Youku Information Technology and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interest of the Company and Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions with Youku Information Technology in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 (Revised) "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants.

The Company's auditor has confirmed the matters set out in Rule 14A.56 of the Listing Rules to the Board that nothing has come to their attention that causes them to believe the disclosed continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) have exceeded the annual cap as set by the Company.

RELATED PARTY TRANSACTIONS

Details of related party transactions in the normal course of business are set out in Note 37 to the financial statements. Save as disclosed above, none of these related party transactions constitutes connected transactions or continuing connected transactions as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed the transactions in this annual report.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during Reporting Period.

MANAGEMENT CONTRACTS

Other than services contracts of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DONATIONS

During the Reporting Period, the Group did not made any charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

In accordance with Article 44 of the Articles of Association, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or wilful default.

The Company has maintained directors' liability insurance to protect the Directors against any potential losses arising from his/her actual or alleged misconduct.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 69 to 83 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25.0% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public during the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee has, together with the Board and the auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the year ended December 31, 2023. The Audit Committee considered that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers, certified public accountants. The auditor of the Company has not changed since the Listing Date and up to the date of this Report. PricewaterhouseCoopers will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the AGM. A resolution in relation to the appointment of the auditor of the Company and to authorize the Board to fix the remuneration of auditor will be proposed at the forthcoming AGM.

By order of the Board
DU Hua
Executive Director, Chairlady of the Board and Chief Executive Officer
Hong Kong, March 27, 2024

CORPORATE GOVERNANCE REPORT

The Company is committed to good corporate governance practices in order to safeguard the interests of the Shareholders.

The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

CORPORATE STRATEGY AND CULTURE

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.

Consumers' ever-expanding demand for high-quality entertainment has put increased spotlights on established artists, around whom the entertainment industry has been evolving for many years. Today's established artists no longer limit themselves to one particular genre in which they originally specialize. They perform in various types of entertainment content, including music, variety programs, drama series and movies. Further, through endorsement deals and business promotion activities, established artists help corporate customers raise the market awareness of their products or services. As a professional artist management company, we arrange our managed artists to provide high quality services to our customers, and assist our managed artists to pursue commercial opportunities and develop their career. Our business covers the entire artist management industry value chain, from artist training, artist operation to artist promotion. Our extensive industry expertise has laid the foundation for us to lead China's artist management market and embrace the opportunities.

Since our establishment, fulfilling corporate social responsibility has been our core value and a cornerstone of our long-term growth. Creating positive social impact has become part of our corporate culture and has helped us created a positive brand image. Inspired by our corporate culture, our managed artists also have a strong sense of social responsibility and endeavor to make contributions to society through their performing art careers.

CORPORATE GOVERNANCE PRACTICES

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 transactions of securities of the Company by its Directors and the relevant employees who would likely possess inside information of the Company. Specific enquiries have been made to all Directors and 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.

THE BOARD

Board Composition

As of the date of this report, the Board comprises seven Directors, of which three are executive Directors, one is non-executive Director and three are independent non-executive Directors.

Executive Directors

Ms. DU Hua[(1)] *(Chairlady of the Board and chief executive officer)*
Mr. SUN Yiding[(1)]
Mr. SUN Le

Non-executive Director

Mr. MENG Jun

Independent Non-executive Directors

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

Note:

(1) Ms. Du and Mr. Sun are cohabiting as spouses.

Mr. MENG Jun was appointed as non-executive Director with effect from June 28, 2023. Mr. MENG Jun obtained legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange on June 28, 2023, and he has confirmed he understood his obligations as a director of the Company.

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of part 2 of the CG Code stipulates that the roles of Chairperson and Chief Executive Officer should be separate and not to be performed by the same individual.

Ms. DU Hua is currently serving as the Chairperson of the Board as well as the chief executive officer of the Company. As Ms. Du is the founder of our Group and the overall strategic planning and business direction and day-to-day management of our Group. 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.

BOARD INDEPENDENCE

Pursuant to code provision B.1.4 under part 2 of the CG Code, the Board established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive Directors are encouraged to actively participate in the Board meetings; (ii) the number of independent non-executive Directors must comply with the requirement under the Listing Rules; and (iii) the independent non-executive Directors shall devote sufficient time to discharge their duties as a Director. Furthermore, the Directors may access external independent professional advice to assist their performance of duties at the expense of the Company. Going forward, the Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decisions. They are experienced professionals in areas such as financial accounting and financial management. Their extensive experiences significantly contribute to enhancing the decision-making of the Board and achieving a sustainable and balanced development of the Group. In particular, they bring impartial views and opinions on issues of the Company's strategy, performance and control, and take the lead in solution where potential conflicts of interests arise. The Board believes that its culture of openness and debate facilitates the effective contribution of executive Directors, non-executive Directors and independent non-executive Directors, in particular, to the Board and ensures constructive relationship among executive Directors, non-executive Directors and independent non-executive Directors.

During the Reporting Period, the Board has met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Director has confirmed his independence pursuant to the factors set out in Rule 3.13 of the Listing Rules. Having considered the factors set out in Rule 3.13 of the Listing Rules, the Company considers each of them to be independent.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Board take decisions objectively in the best interest of the Company and the Shareholders as a whole.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation of the Group and management of the Company are delegated to the management of the Company. The Board and the management have clearly defined their authorities and responsibilities under various internal control and check and balance mechanisms. The Board does not delegate matters to the Board committee(s), executive Directors or the management to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions.

The Company has arranged appropriate insurance cover to protect Directors from possible legal action against them.

Continuous Professional Development of Directors

The Company is responsible for arranging and funding suitable training for the Directors.

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

The Directors confirmed that they have complied with code provision C.1.4 under part 2 of the CG Code on directors' training and all Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills. During the Reporting Period, all the Directors attended training session conducted by the Company's legal adviser on directors' duties, responsibilities and obligations under the Listing Rules, SFO and other relevant laws and regulations. During the Reporting Period, the Directors have also participated in the following professional development activities:

Name of Directors	Continuing Professional Development Involved (Note)
Executive Directors	
Ms. DU Hua	(a) & (b)
Mr. SUN Yiding	(a) & (b)
Mr. SUN Le	(a) & (b)
Non-executive Directors	
Mr. MENG Jun (appointed on June 28, 2023)	(a) & (b)
Ms. YAO Lu (resigned on February 5, 2024)	(a) & (b)
Mr. MENG Qingguang (resigned on June 28, 2023)	(a) & (b)
Ms. ZHAO Wenjie (resigned on June 28, 2023)	(a) & (b)
Independent Non-executive Directors	
Mr. FAN Hui	(a) & (b)
Mr. LU Tao	(a) & (b)
Mr. HUANG Jiuling	(a) & (b)

Notes:

(a) Participating in the training offered by Cooley HK and/or SWCS Corporate Services Group (Hong Kong) Limited and related to the Company's business and anti-corruption training.

(b) Reading materials on a variety of topics, including corporate governance issues, Directors' duties, Listing Rules and other relevant laws.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing with effect from the date of the appointment, and will continue thereafter until terminated by not less than three months' notice in writing served by the executive Director or as otherwise set out in the service contract.

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for a term of one year with effect from the Listing Date or June 28, 2023, and will continue thereafter until terminated in certain circumstances as stipulated in the relevant letters of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

In accordance with Article 26.3 of the Articles of Association, the Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

Accordingly, Mr. MENG Jun shall retire at the forthcoming AGM and, being eligible, will offer himself for re-election.

In accordance with Article 26.4 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Accordingly, Ms. DU Hua and Mr. SUN Le shall retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

Details of the Directors to be re-elected at the AGM will be set out in the circular to be despatched to the Shareholders in due course.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

BOARD, COMMITTEE MEETINGS AND GENERAL MEETINGS

The Board shall meet regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. Four regular Board meetings should be held in each year at approximately quarterly intervals. Directors may participate in meetings either in person or through electronic means of communication. All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

During the Reporting Period, the attendance record of the Directors at the Board meetings and general meeting is set out in the following table below:

	Number of meetings attended/ held during the Director's term of office	
Name of Director	**Board meetings**	**General Meeting**
Executive Directors		
Ms. DU Hua	4/4	2/2
Mr. SUN Yiding	4/4	2/2
Mr. SUN Le	4/4	2/2
Non-Executive Directors		
Mr. MENG Jun(1)	3/3	1/1
Ms. YAO Lu(2)	4/4	2/2
Mr. MENG Qingguang(3)	1/1	1/1
Ms. ZHAO Wenjie(3)	1/1	1/1
Independent Non-executive Directors		
Mr. FAN Hui	4/4	2/2
Mr. LU Tao	4/4	2/2
Mr. HUANG Jiuling	4/4	2/2

Notes:

(1) Mr. MENG Jun, as the non-executive Director, has entered into a letter of appointment with the Company for an initial term of one year commencing from June 28, 2023.

(2) Ms. ZHAO Wenjie and Mr. MENG Qingguang have resigned as non-executive Directors with effect from June 28, 2023.

(3) Ms. YAO Lu has resigned as a non-executive Director with effect from February 5, 2024. Ms. YAO Lu has attended all the Board meetings during the Reporting Period.

BOARD COMMITTEES

The Company has established three Board committees, namely the Audit Committee, the Remuneration Committee, and the Nomination Committee. Each of the Board committees is established with specific written terms of reference which deal clearly with their powers and duties. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies, financial reporting procedures and risk management and internal control systems; supervising the implementation of the internal audit system; advising on the appointment or replacement of external auditors; and liaising between the internal audit department and external auditors.

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 committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the Reporting Period, the Audit Committee held two meetings, during which the Audit Committee reviewed, among other things, the annual results of the Group for the year ended December 31, 2022, the interim results of the Group for the six months ended June 30, 2023 and believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The Audit Committee has reviewed all material internal control rules, including the financial and operational and compliance controls, as well as risk management of the Group in 2023. The Audit Committee was satisfied with the effectiveness and sufficiency of the internal control mechanism in its operations.

According to code provision D.3.3(e)(i) under part 2 of the CG Code and the terms of reference of the Audit Committee of the Company, the Audit Committee must meet, at least twice a year, with the Company's auditors. The members of Audit Committee met two times with the external auditor during the year ended December 31, 2023. The following is the attendance of each member during such time:

Name of Directors	Attendance/Number of Meetings Held
Mr. FAN Hui *(Chairman)*	2/2
Mr. LU Tao	2/2
Mr. HUANG Jiuling	2/2

Remuneration Committee

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee include, without limitation, the following: (i) making recommendations to the Board on our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) determining the delegated responsibility, the remuneration packages of individual executive Directors and senior management, or alternatively, making recommendations to the Board on such remuneration packages; (iii) ensuring that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors and are designed to align their interests with those of Shareholders and to give our Directors incentives to perform at the highest levels; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee comprises one executive Director, namely Mr. SUN Yiding, and two independent non-executive Directors, namely Mr. LU Tao and Mr. HUANG Jiuling. Mr. LU Tao is the chairperson of the committee.

During the Reporting Period, the Remuneration Committee held one meetings. The following is the attendance of each member during such time:

Name of Directors	Attendance/Number of Meetings Held
Mr. LU Tao *(Chairman)*	1/1
Mr. SUN Yiding	1/1
Mr. HUANG Jiuling	1/1

Nomination Committee

The Company has established the Nomination Committee in compliance with the CG Code. The primary duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee comprises one executive Director, namely Ms. Du, and two independent non-executive Directors, namely Mr. FAN Hui and Mr. LU Tao. Ms. Du is the chairperson of the Nomination Committee.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board in accordance with the board diversity policy adopted by the Company. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee held two meetings, during which the Nomination Committee reviewed, among other things, the structure, number, composition and diversity of the Board, assessed the independence of the independent non-executive Directors to determine their eligibility and discussed the re-appointment of directors and succession planning for directors. Please refer to relevant disclosures under the subsection of this Corporate Governance Report headed "Confirmation of Independence by Independent Non-executive Directors". The following is the attendance of each member during such time:

Name of Directors	Attendance/Number of Meetings Held
Ms. DU Hua *(Chairlady)*	2/2
Mr. LU Tao	2/2
Mr. FAN Hui	2/2

Corporate Governance Functions

The Board recognizes that corporate governance should be the collective responsibility of the Directors and has delegated the corporate governance duties to the Audit Committee which includes:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- to review the Company's compliance with the code and disclosure in the corporate governance report of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, publicity and marketing, content development, investment and financing, accounting and financial management. They obtained degrees in various majors including business administration, international journalism, marketing, accounting, business economics and statistics. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Our Board Diversity Policy is well implemented as evidenced by the fact that there are both male and female Directors ranging from 42 years old to 58 years old with different backgrounds and experiences. The Company currently has a female chairlady and chief executive officer. The Company will endeavor to at least maintain one female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Company also plans to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. At present, the Nomination Committee considered that the Board is sufficiently diverse. The Nomination Committee will review the Board Diversity Policy on an annual basis, to ensure its effectiveness.

As of December 31, 2023, as set out in Appendix I "Sustainability Data Summary" to the ESG Report as contained in this report, among the 215 employees (including senior management) of the Group, the percentages of male employees and female employees are 27.4% and 72.6%, respectively. The Board considers that the Group's workforce (including senior management) is sufficiently diverse in terms of gender. The Company is committed to creating a fair, unbiased, equal and diversified recruitment and working environment. Information about the diversity, including the gender diversity, in the workforce during the Reporting Period are set out in Appendix I "Sustainability Data Summary" to the ESG Report contained in this report.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services for the year ended December 31, 2023 amounted to RMB3,000,000, the non-audit services provided by the auditor for the year ended December 31, 2023 amounted to RMB2,308,000.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. ZHANG Wensheng and Mr. CHUNG Ming Fai.

Mr. ZHANG Wensheng is also the chief financial officer of the Company. Mr. CHUNG Ming Fai is a vice president of Company Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial service provider).

Mr. CHUNG Ming Fai's primary corporate contact person at the Company is Mr. ZHANG Wensheng. The biographical details of Mr. ZHANG Wensheng and Mr. CHUNG Ming Fai are set out under the section headed "Directors and Senior Management" in this report.

Mr. ZHANG Wensheng and Mr. CHUNG Ming Fai have undertaken not less than 15 hours of relevant professional training during the Reporting Period in accordance with Rule 3.29 of the Listing Rules.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended December 31, 2023. A statement from the auditor about its reporting responsibilities on the consolidated financial statements is set out under the section headed "Independent Auditor's Report" in this report. In preparing the consolidated financial statements for the year ended December 31, 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established a risk management and internal control system in accordance with the requirements of paragraph D.2 under part 2 of the CG Code. The system aims to manage rather than eliminate the risk of failure to achieve business objectives, promote effective and efficient operations, reasonably ensure the reliability of financial reports and comply with applicable laws and regulations and protect the assets of the Group. The Board can only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

Operational Risk Management

Our business operation is exposed to various risks, such as administration of daily operation, financial reporting and recording, compliance with applicable laws and regulations, and changes in the regulatory environment in the PRC. For more details, see "Risk Factors" in the Prospectus for disclosures on various risks we face.

As risk management is essential to our growth and success, we have implemented detailed policies and procedures that we believe are appropriate for our business operation. To monitor the ongoing implementation of our risk management policies, we have adopted and will adopt robust measures in various aspects of our business operation, such as financial reporting, human resources, intellectual property and information system. We are committed to building and maintaining an effective risk management approach that strictly abides by legal and compliance requirements to facilitate our business growth.

Regulatory Compliance Risk Management

We are subject to evolving regulatory requirements across multiple jurisdictions, including requirements to obtain and renew certain licenses, permits, approvals and certificates for our business operation in various jurisdictions. In order to manage our ongoing compliance with the laws and regulations applicable to our business effectively, we have implemented several internal control measures.

Our legal team is responsible for regularly monitoring changes in laws, regulations and policies issued by the relevant government authorities in the jurisdictions we operate, to ensure we obtain requisite licenses to operate our business and we have the up-to-date understanding with the applicable requirements. They also review the status of our licenses and permits on a regular basis and renew those licenses and permits that are about to expire.

In response to recent regulatory development, we have further improved our internal control system by adopting the following measures:

- We have adopted the compliance management policies, under which a compliance team is responsible for identifying, assessing and controlling the compliance risks and also monitoring our daily operation and our employees' behaviors.

- Our internal teams also work together to help our managed artists and their related entities stay informed of the latest regulations.

- We have adopted internal control policies to manage the amounts of artists' remuneration and monitor the remuneration cost ratios. We require our artist operation team to evaluate and review the amounts of artists' remuneration and the corresponding remuneration cost ratios in the movies, drama series and variety shows we produce, invest in or our managed artists participate in, and to timely report anomalies to the management.

- We provide trainings to our senior management on the listing rules, disclosure management, corporate governance, changes in laws, regulations and policies. We also provide trainings to our employees on the evolving regulatory requirements and inform all employees of changes in laws and regulations, including the recent regulatory development in the entertainment industry in China.

- We also provide relevant materials and trainings to our managed artists on regulatory changes and monitor their behaviors when necessary.

- We are committed to continually improving our internal policies according to changes in laws, regulations and industry standards to better manage any regulatory compliance risks.

Financial Reporting Risk Management

We have put in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, financial statements preparation policies, treasury management policies, and finance seal management policies. We have designed and maintained consistent procedures for implementation of accounting policies and our finance department reviews our management accounts based on such procedures.

Intellectual Property Rights Risk Management

We are committed to establishing and maintaining intellectual property rights risk management and internal control procedures to protect our intellectual property rights and prevent liabilities resulting from infringement of third-party intellectual property rights. Our legal team is responsible for reviewing and approving contracts and protecting our legal rights, including intellectual property rights. Our legal team also takes the lead in ensuring that all necessary applications or filings for trademark, copyright and patent registrations have been timely made to the competent authorities, and that our intellectual properties are under the protection of relevant laws and regulations.

Human Resources Risk Management, Anti-Corruption and Whistleblowing Policy

We arrange training courses for our employees to improve their understanding of our internal policies. We have in place an employee handbook which has been distributed to all of our employees. These documents contain internal rules and guidelines regarding issues such as anti-corruption, work ethics, confidentiality, performance evaluation and workplace safety.

We also have in place an anti-corruption and anti-bribery policy to safeguard against any corruption activities. The policy explains potential corruption conducts and our anti-corruption measures. In particular, the policy explicitly prohibits employees from making or accepting illegal or improper payments. We also have in place whistleblowing policy and measures. Our internal reporting channel is open and available for our employees to raise concerns and to report, on an anonymous basis, any non-compliance incidents and acts, including bribery and corruption. Our Audit Committee is responsible for overseeing the implementation of the policy and we give trainings to new hires to help them familiarize with the policy. In addition, we have an anti-money laundering policy that sets out the measures to safeguard against money laundering activities. The Board is responsible for reviewing and adopting the company's anti-money laundering measures, and designating the personnel to implement the measures. The Board will also designate an anti-money laundering task force that will identify money-laundering risks that may arise during our business operations and report them promptly to the management. The taskforce is also responsible for the investigation of any money-laundering activities identified. In addition, it will coordinate with other internal teams to monitor our transactions and report any suspicious cases to the relevant authorities.

Artists' Conduct Risk Management

During our business operations, we have established and adopted comprehensive internal measures and policies in selection and supervision of the conduct of our managed artists, in reaction to the changes in the regulatory environment from time to time. Such measures include:

- We will conduct background search on artists before we enter into artist management contract with them.

- Our contracts with customers include that the customer shall not arrange any works for our managed artists which are in breach of any laws, regulations, public orders and/or customs nor any works that will infringe the artists' reputation, privacy, or involve in controversial political stance.

- Our artist promotion team is tasked with monitoring public opinion of our managed artists and giving proper advice on the information and public image the artists conveyed to the public, including the contents published by artists in their Weibo accounts and other social media accounts.

- We carefully select business projects for our managed artists, and review the contracts we enter into with our customers to ensure that they do not contain anything that is prohibited under the Notices, such as content designed to incite fans to spend money irrationally.

- We also have a morals clause in our artist management contracts and trainee contracts, which prohibits them to commit any illegal or immoral acts, and would allow us to terminate the contract if a managed artist or trainee commits misconduct that might negatively affect our reputation.

- We have set up the official social media accounts for followers of our managed artists on Weibo, which enable us to communicate the regulatory changes to followers and help them act responsibly on the internet.

- We pay close attention and regularly check with the announcements or other publications circulated by relevant administrative authorities and the "Warning List (警示名單)" circulated by China Association of Performing Arts (CAPA).

- We circulate the updated laws, regulations and policies in relation to the entertainment industry, including the personal speech and behavior, maximum wage order and taxation management, to each of managed artists or their related entities from time to time. For example, in relation to taxation management, we provide them with advice when they have tax-related questions, and inquire about the tax compliance status of our artists and their related entities from time to time and remind them to fulfill their tax obligations.

Inside Information

We have put in place appropriate internal control procedures and guidelines to avoid improper handling of inside information which may constitute insider trading or breach of any other statutory duty. At any time, access to inside information is limited to the relevant personnel (i.e. the Directors, senior management and relevant employees of the Company) and as the situation requires until it is disclosed or released in accordance with applicable laws and regulations. Directors, senior management and relevant employees of the Company who are in possession of potential inside information and/or inside information are required to take reasonable steps to ensure that adequate safeguards are in place to ensure the strict confidentiality of inside information and that recipients understand their responsibility to keep the information confidential.

To ensure adequate attention to whistleblowing, the Company has established a reporting mechanism to handle and discuss internal whistleblowing of financial reporting, risk management, internal control or other matters. Major internal control deficiencies or whistleblowing issues will be submitted to the Audit Committee for fair and independent investigation and follow-up action.

Effectiveness of Risk Management and Internal Control

The Board is responsible for the risk management and internal control measures and reviewing their effectiveness, and is also responsible for reviewing the effectiveness of the Group's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, to promote effective and efficient operations, to ensure reliable financial reporting and compliance with applicable laws and regulations, as well as to safeguard the Group's assets and Shareholders' interests.

The Group's risk management and internal control measures focus primarily on (i) financial reporting risk management; (ii) information system risk management; (iii) human resources risk management; and (iv) other general risk management.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Group also has an internal audit function, which conducts objective evaluation on the effectiveness of the Company's risk management and internal control systems and reports the results to the Audit Committee on, at least, an annual basis.

We evaluate and check the effectiveness of our risk management and internal control systems through channels such as the management, business units in the risk management system, audit and inspection teams of the Group, external auditors, external compliance advisor and legal advisor to improve risk response measures.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group during the Reporting Period and will continuously monitor and review the effectiveness of its operation on an annual basis. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial functions to be adequate. The Board is of the view that there has been no deficiency in material risk control nor any weakness in material risk control based on the outcome of the risk management and internal control work implemented by the Group as of December 31, 2023 and the current risk management and internal control measures effectively and adequately cover the existing businesses of the Group, and will continue to be optimized in line with the business development of the Group.

DIVIDEND POLICY

The decision on whether to pay dividends will be made at the discretion of our Directors and will depend primarily upon the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. We will evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

Our Company in general meeting may from time to time by ordinary resolution declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board, provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. We are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, dividends may be declared and paid out of our share premium account, provided that our Company satisfies the solvency test set out in the Cayman Companies Act. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our subsidiaries, including our PRC companies. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differs in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The latest Articles of Association were published on the website of the Stock Exchange on January 18, 2023. During the Reporting Period, there was no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes regular communication with the Shareholders is a two-way process and has thrived to ensure the quality and effectiveness of information disclosure, maintain regular conversations with the Shareholders and listen carefully to the viewpoints and feedback from the Shareholders.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at http://www.yuehuamusic.com/ where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Company has established several channels to communicate with the Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at http://www.yuehuamusic.com/;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website at http://www.yuehuamusic.com/;

(iv) AGMs and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong branch share registrar of the Company serves the Shareholders in respect of Share registration, dividend payment and related matters.

The Company has reviewed the implementation and effectiveness of the Shareholders' communication policy during the Reporting Period. The Board is of the view that the Shareholders' communication policy of the Company has facilitated sufficient shareholders' communication and considered the policy is effective and adequate.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Pursuant to the Articles of Association, the Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionist(s) and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out above. As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company at Room 150, Building 119, No. 27 West Dawang Road, Chaoyang District, Beijing, PRC (Attention: Department of Investor Relations).

The Company will not normally deal with verbal or anonymous enquiries. The Company will arrange designated persons to respond to the relevant written enquiries in a timely manner.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of YH Entertainment Group
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of YH Entertainment Group (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 88 to 178, comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to revenue recognition of artist management services.

Key Audit Matter

Revenue recognition of artist management services

Refer to Notes 2.20(a) and 7 to the consolidated financial statements.

The Group's revenue is primarily from the provision of artist management services which amounted to approximately RMB662.9 million for the year ended December 31, 2023, representing approximately 87.7% of the Group's total revenues for the year.

The Group provides artist management services to customers by arranging its artists to participate in various commercial activities, including endorsement deals, business promotion events, and commercial performances, as well as entertainment content services, such as performing in movies, drama series and variety programs.

Revenue is recognized when the relevant services are provided either over the fixed contract period of the endorsement deals or the scheduled production period of the movies, drama series and variety programs, or at the point in time when the artists attend the respective events and performances.

We focused on this area due to the magnitude of the revenue from artist management services and significant audit resources were spent on auditing this area.

How our audit addressed the Key Audit Matter

Our procedures in relation to the revenue recognition of artist management services included:

- We obtained an understanding of management's internal control and process over the revenue recognition of artist management services and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity;

- We understood, evaluated and tested the internal controls, on a sample basis, in respect of the revenue recognition of artist management services provided by the Group;

- We obtained, on a sample basis, the Group's artist management service contracts with customers and assessed the appropriateness of the Group's revenue recognition policies based on the key terms and conditions of the service contracts, including the identification of performance obligations and the timing for which control of the services is transferred, with reference to the requirements of the prevailing accounting standards; and

- We tested, on a sample basis, revenue transactions by (i) evaluating the key terms and conditions of the underlying contracts; (ii) checking media and news coverage to support the occurrence of commercial activities and entertainment content services; (iii) examining settlements from customers; and (iv) recalculating the revenue amount to assess the accuracy of the revenue recognized and whether the recognition was made in the appropriate financial period.

Based on the procedures performed, we found the revenue recognition of artist management services was supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tong Yu Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 27, 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended December 31,	
		2023	2022
	Note	**RMB'000**	RMB'000
Revenue	7	**755,681**	980,254
Cost of revenue	8	**(580,646)**	(617,168)
Gross profit		**175,035**	363,086
Selling and marketing expenses	8	**(38,550)**	(37,611)
General and administrative expenses	8	**(134,214)**	(119,494)
Net impairment losses on financial assets	4.1(b)	**(8,678)**	(7,715)
Other income	9	**22,811**	3,901
Other gains, net	10	**14,707**	10,044
Operating profit		**31,111**	212,211
Finance income	12	**35,511**	6,597
Finance costs	12	**(3,997)**	(6,306)
Finance income, net		**31,514**	291
Share of losses of investments accounted for using the equity method	20	**(7,171)**	(3,062)
Fair value changes of convertible preferred shares	34	**(160,524)**	1,581,992
(Loss)/profit before income tax		**(105,070)**	1,791,432
Income tax expense	13	**(37,518)**	(66,247)
(Loss)/profit for the year		**(142,588)**	1,725,185
(Loss)/profit attributable to:			
Owners of the Company		**(140,837)**	1,724,470
Non-controlling interests		**(1,751)**	715
		(142,588)	1,725,185

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Other comprehensive (loss)/income, net of tax			
Items that may be reclassified to profit or loss			
Currency translation differences		**1,448**	(870)
Items that will not be reclassified to profit or loss			
Currency translation differences		**69,969**	(119,333)
Total comprehensive (loss)/income for the year		**(71,171)**	1,604,982
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(69,962)**	1,604,470
Non-controlling interests		**(1,209)**	512
		(71,171)	1,604,982
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)	15		
Basic		**(0.17)**	3.72
Diluted		**(0.17)**	0.20

The notes on pages 95 to 178 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**103,520**	103,001
Right-of-use assets	18	**13,564**	10,581
Investment properties	17	**14,141**	14,353
Intangible assets	19	**4,366**	4,426
Investments accounted for using the equity method	20	**16,608**	15,078
Financial assets at fair value through profit or loss	22	**123,505**	45,546
Prepayments and other receivables	25	**517,604**	35,717
Deferred income tax assets	30	**4,693**	4,248
		798,001	232,950
Current assets			
Inventories	23	**5,026**	1,522
Trade receivables	24	**95,687**	129,940
Prepayments and other receivables	25	**17,334**	27,754
Financial assets at fair value through profit or loss	22	**107,000**	290,265
Investments measured at amortized cost	26	**300,754**	87,280
Restricted cash	27	**12,300**	23,900
Term deposits	27	**95,453**	–
Cash and cash equivalents	27	**613,371**	528,660
		1,246,925	1,089,321
Total assets		**2,044,926**	1,322,271
EQUITY			
Share capital	28	**300**	50
Share premium	29	**1,418,731**	–
Treasury shares	28	**(3)**	(4)
Reserves	29	**(2,344,927)**	(2,507,993)
Retained earnings		**2,245,980**	2,386,821
Equity attributable to owners of the Company		**1,320,081**	(121,126)
Non-controlling interests		**3,064**	4,273
Total equity/(deficit)		**1,323,145**	(116,853)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2023

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	31	**266,167**	66,276
Lease liabilities	18	**6,484**	5,841
Financial liabilities at fair value through profit or loss	34	**–**	774,964
Contract liabilities	7	**24,576**	30,636
Deferred income tax liabilities	30	**1,737**	–
		298,964	877,717
Current liabilities			
Trade payables	32	**149,603**	190,619
Other payables and accruals	33	**52,268**	49,696
Financial liabilities at fair value through profit or loss	34	**–**	128,884
Contract liabilities	7	**173,054**	129,596
Current income tax liabilities		**40,921**	60,358
Lease liabilities	18	**6,971**	2,254
		422,817	561,407
Total liabilities		**721,781**	1,439,124
Total equity and liabilities		**2,044,926**	1,322,271

The notes on pages 95 to 178 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 88 to 178 were approved for issue by the Board of Directors on March 27, 2024 and were signed on its behalf.

Du Hua
Executive Director

Zhang Wensheng
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to owners of the Company							
	Note	Share capital RMB'000	Share Premium RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2023		50	–	(4)	(2,507,993)	2,386,821	(121,126)	4,273	(116,853)
Loss for the year		–	–	–	–	(140,837)	(140,837)	(1,751)	(142,588)
Currency translation differences		–	–	–	70,875	–	70,875	542	71,417
Total comprehensive (loss)/income for the year		–	–	–	70,875	(140,837)	(69,962)	(1,209)	(71,171)
Transactions with owners:									
Equity settled share-based payments	39	–	–	–	92,187	–	92,187	–	92,187
Issuance of shares in connection with vesting of restricted share units		–	114	1	–	–	115	–	115
Issuance of ordinary shares by the Company	28(a)	81	398,252	–	–	–	398,333	–	398,333
Conversion of convertible preferred shares into ordinary shares	28(b)	169	1,020,365	–	–	–	1,020,534	–	1,020,534
Appropriation for statutory surplus reserve		–	–	–	4	(4)	–	–	–
Total transactions with owners of the Company		250	1,418,731	1	92,191	(4)	1,511,169	–	1,511,169
As at December 31, 2023		300	1,418,731	(3)	(2,344,927)	2,245,980	1,320,081	3,064	1,323,145

	Note	Attributable to owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Combined capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
As at January 1, 2022		–	110,046	–	(459,873)	662,351	312,524	7,034	319,558
Profit for the year		–	–	–	–	1,724,470	1,724,470	715	1,725,185
Currency translation differences		–	–	–	(120,000)	–	(120,000)	(203)	(120,203)
Total comprehensive (loss)/income for the year		–	–	–	(120,000)	1,724,470	1,604,470	512	1,604,982
Transactions with owners:									
Equity settled share-based payments	39	–	–	–	91,113	–	91,113	–	91,113
Deemed distribution to the shareholders of the Company		–	–	–	565	–	565	–	565
Reorganization-exchange redemption liabilities with convertible preferred shares	34	–	–	–	(1,869,521)	–	(1,869,521)	–	(1,869,521)
Reclassification of combined capital to share capital and other reserves upon the completion of the reorganization		46	(110,046)	–	110,000	–	–	–	–
Issuance of ordinary shares by the Company	28(a)	4	–	–	–	–	4	–	4
Treasury shares	28(a)	–	–	(4)	–	–	(4)	–	(4)
Dividends to the shareholders of the Company	14	–	–	–	(259,951)	–	(259,951)	–	(259,951)
Acquisition of non-controlling interests of a subsidiary		–	–	–	(326)	–	(326)	(1,999)	(2,325)
Liquidation of non-wholly owned subsidiaries		–	–	–	–	–	–	(1,274)	(1,274)
Total transactions with owners of the Company		50	(110,046)	(4)	(1,928,120)	–	(2,038,120)	(3,273)	(2,041,393)
As at December 31, 2022		50	–	(4)	(2,507,993)	2,386,821	(121,126)	4,273	(116,853)

The notes on pages 95 to 178 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		Year ended December 31,	
	Note	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**163,576**	115,073
Income taxes paid		**(55,663)**	(115,334)
Net cash generated from/(used in) operating activities		**107,913**	(261)
Cash flows from investing activities			
Prepayments for the purchase of a property	25	**(480,011)**	–
Purchase of property, plant and equipment		**(8,416)**	(3,925)
Purchase of intangible assets		**(773)**	(490)
Proceeds from disposal of property, plant and equipment		**82**	265
Payments for term deposit with original maturity of more than three months		**(93,211)**	–
Payments for financial assets at fair value through profit or loss		**(134,581)**	(780,418)
Proceeds from disposals of financial assets at fair value through profit or loss		**257,571**	912,569
Payments for investments measured at amortized cost		**(388,371)**	(89,327)
Proceeds from disposal of investments measured at amortized cost		**190,130**	–
Payments for investments accounted for using the equity method		**(7,201)**	(16,300)
Proceeds from disposal of investments accounted for using the equity method		**200**	–
Advances of loans to third parties		**(1,711)**	(3,811)
Repayments from loans to third parties		**1,437**	21,875
Interest received from bank deposits		**18,944**	7,900
Net cash (used in)/generated from investing activities		**(645,911)**	48,338
Cash flows from financing activities			
Interest paid for borrowings		**(3,377)**	(2,511)
Payments for lease liabilities – principal and interest		**(5,245)**	(6,163)
Proceeds from long-term borrowings		**200,000**	–
Deemed distribution paid to the shareholders of the Company		**–**	(15,298)
Dividends paid by the Company to the holders of convertible preferred shares	14	**–**	(139,369)
Dividends paid by the Company to its ordinary shareholders	14	**–**	(57,898)
Effect of reorganization in respect of the acquisition of a company comprising the Group		**–**	(402,250)
Proceeds from issuance of convertible preferred shares by the Company to reflect the onshore shareholding structure as part of reorganization		**–**	544,751
Payments for listing expenses		**(15,658)**	(1,557)
Liquidation of non-wholly owned subsidiaries		**–**	(1,274)
Issuance of shares in connection of restricted share units		**115**	–
Proceeds from issuance of ordinary shares upon listing		**420,755**	–
Acquisition of non-controlling interests of a subsidiary		**–**	(2,325)
Net cash generated from/(used in) financing activities		**596,590**	(83,894)
Net increase/(decrease) in cash and cash equivalents		**58,592**	(35,817)
Cash and cash equivalents at beginning of the year		**528,660**	546,559
Effect of exchange rate changes on cash and cash equivalents		**26,119**	17,918
Cash and cash equivalents at the end of the year		**613,371**	528,660

The notes on pages 95 to 178 are integral parts of these consolidated financial statements.

1 GENERAL INFORMATION AND REORGANIZATION

1.1 General information

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

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

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

1.2 Reorganization

Prior to incorporation of the Company and the completion of the reorganization as described below (the "**Reorganization**"), the Listing Business was mainly carried by Yuehua Entertainment Co., Ltd. (北京樂華圓娛文化傳播有限公司) ("**Yuehua Limited**"), a limited liability company in the PRC, and its subsidiaries (the "**Operating Entities**").

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganization to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the Listing Business.

The Reorganization involved the following steps:

(a) Incorporation of the Company and its offshore subsidiaries

(i) On June 10, 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of the Group, as part of the Reorganization. Upon incorporation, the authorized share capital of the Company was USD50,000 divided into 500,000,000 ordinary shares with a par value of USD0.0001 each. On the same day, 58,108,105, 3,827,984, 6,624,279, 200,000, 29,000, and 2,721,497 ordinary shares were allotted and issued to DING GUOHUA LIMITED, QINGDINGDANG LIMITED, Bloom Joy Capital Profit Limited, Changyang Limited, UPXF GROUP LIMITED and POWER JOY PLUS LIMITED, respectively, all of which were owned by the then equity owners of Yuehua Limited.

(ii) On June 22, 2021, YH Entertainment Group (BVI) Limited ("**Yuehua BVI**") was incorporated in BVI with the Company being its sole shareholder.

(iii) On July 6, 2021, YH Entertainment Group (HK) Limited ("**Yuehua HK**") was incorporated as a limited liability company in Hong Kong with Yuehua BVI being its sole shareholder.

1 GENERAL INFORMATION AND REORGANIZATION *(continued)*

1.2 Reorganization *(continued)*

(b) Conversion of Yuehua Limited into a sino-foreign joint venture company

(i) On August 30, 2021, Mr. WANG Huan transferred an aggregate of RMB1,100,000 registered capital, which represents 1.00% of the then registered capital of Yuehua Limited, to Joinstar Asia (HK) Limited ("**Joinstar HK**"). Joinstar HK is wholly owned by Joinstar Asia Limited, a BVI incorporated company, which is in turn wholly owned by Mr. Nick Ning Yang, an independent third party. Following such share transfer, Yuehua Limited was converted from a domestic company into a sino-foreign joint venture company.

(c) Entering into contractual arrangement in respect of Horgos Yuehua Picture Limited

(i) On August 30, 2021, as part of the Reorganization, Yuehua Limited disposed all of its shares in Horgos Yuehua Picture Limited ("**Horgos Yuehua**"), a then wholly owned subsidiary incorporated in the PRC and engaged in variety program production businesses, movies and made-to-order web drama series production businesses, in which foreign investors are prohibited from holding any equity interests under the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施（負面清單）（2021年版）), to Ms. Du and Mr. SUN Yiding (the "**Registered Shareholders**"). On the same date, Yuehua Limited adopted a series of contractual arrangements (collectively the "**Contractual Arrangements**") with Horgos Yuehua and its Registered Shareholders, pursuant to which the Yuehua Limited is able to effectively control, recognize and receive substantially all the economic benefits of the business and operations of Horgos Yuehua to the extent permitted by the PRC laws and regulations.

(ii) Accordingly, Horgos Yuehua is treated as a structured entity controlled by the Group. Further details of the Contractual Arrangements are set out in Note 2.2.1 below.

(d) Establishment of Tianjin Yuehua Investment Co., Ltd.

(i) On September 24, 2021, Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司, "**Yuehua Investment**") was incorporated as a limited liability company in the PRC with Yuehua HK being its sole shareholder.

(e) Acquisition of Yuehua Limited and transactions with certain institutional and individual investors

(i) On December 30, 2021, Ms. Du, Mr. WANG Huan, Mr. FANG Shaojun, Mr. XIAO Fei, Huarenwenhua Co., Ltd. (華人文化有限責任公司) ("**CMC**"), Tibet Huaguoguo Culture Technology Co., Ltd. (西藏華果果文化科技有限公司), and Shanghai Kunling Network Technology Partnership (Limited Partnership) (上海坤伶網絡科技合夥企業（有限合夥）), transferred 79.01% of Yuehua Limited's registered capital to Yuehua Investment at total consideration amounting to approximately RMB 344,554,000. The consideration was fully settled in December 2021.

(ii) On January 30, 2022, Zhejiang Dongyang Alibaba Pictures Co., Ltd. (浙江東陽阿里巴巴影業有限公司) ("**Dongyang Alibaba Pictures**") and Beijing Quantum Jump Technology Co., Ltd. (北京量子躍動科技有限公司) ("**Quantum Jump**") transferred an aggregate of 19.99% of Yuehua Limited's registered capital to Yuehua Investment at total consideration amounting to approximately RMB 402,250,000. The consideration was fully settled in February 2022.

(iii) On January 30, 2022, Mr. Nick Ning Yang transferred all of his 100% equity interest in Joinstar Asia Limited to Yuehua BVI.

(iv) Subsequently after the aforementioned transfers, Yuehua Limited was owned as to 99.00% and 1.00% by Yuehua Investment and Joinstar HK, both of which were wholly owned subsidiaries of the Company.

1 GENERAL INFORMATION AND REORGANIZATION *(continued)*

1.2 Reorganization *(continued)*

(e) Acquisition of Yuehua Limited and transactions with certain institutional and individual investors *(continued)*

(v) Pursuant to the reorganization framework agreement ("**Reorganization Framework Agreement**") entered into among the Company, Yuehua Limited, Ms. DU, Mr. WANG Huan, Mr. FANG Shaojun, Mr. XIAO Fei, Mr. Nick Ning Yang, Joinstar Asia Limited, CMC, Quantum Jump and Dongyang Alibaba Pictures on November 30, 2021, the Group retains the contractual right to receive refund of all considerations paid, including the aforementioned RMB 344,554,000 paid in step 1.2(e)(i), as long as the reorganization (which includes the steps from 1.2(a) to (f) under the Reorganization Framework Agreement) is not yet fully completed.

As the Group's reorganization was not fully completed as at December 31, 2021, the aforementioned RMB 344,544,000 consideration paid out by the Group in step 1.2(e)(i) as part of the reorganization was presented as amounts due from shareholders that existed as at December 31, 2021.

These amounts due from shareholders were subsequently settled in March 2022 as detailed in step 1.2(f).

(f) Issuance of shares by the Company to reflect the onshore shareholding structure

(i) On January 28, 2022, the Company issued 1,100,000 ordinary Shares, to DIAMOND HAMMOCK LIMITED, a BVI incorporated company wholly owned by Mr. Nick Ning Yang. On the same day, 1,100,000 ordinary Shares of the Company held by Bloom Joy Capital Profit Limited (which was wholly owned by Mr. WANG Huan) were canceled to mirror the share transfer in step 1.2(b)(i) as part of the Reorganization.

(ii) On January 28, 2022, the offshore affiliates of CMC, Quantum Jump and Dongyang Alibaba Pictures entered into a share subscription agreement with the Company for the subscription of 16,500,135 Series A-1 Preferred Shares, 5,489,000 Series A-2 Preferred Shares and 16,500,000 Series A-3 Preferred Shares, respectively. The consideration was settled in February and March 2022.

(iii) On March 4, 2022, pursuant to a written resolution of the Company, DING GUOHUA LIMITED, QINGDINGDANG LIMITED, Bloom Joy Capital Profit Limited, Changyang Limited, UPXF GROUP LIMITED and POWER JOY PLUS LIMITED made capital contribution as share premium into the Company. The consideration was settled in March 2022.

(iv) The total considerations settled to the Group from the aforementioned subscriptions and capital contributions in steps 1.2(f)(i) to (iii) approximate the considerations paid by the Group in steps 1.2(e)(i) to (iii).

(g) Dismantlement of contractual arrangements in respect of Horgos Yuehua

(i) On March 4, 2022, the Group structurally dismantled the Contractual arrangements in respect of Horgos Yuehua as part of the Reorganization. In connection with such dismantlement, a deemed distribution was approved by the Board and the shareholders of the Company, pursuant to which all the shareholders of the Company (other than ARK Trust (Hong Kong) Limited and Lightstone Trust (Hong Kong) Limited, both of which are trustees for the administration of the 2021 share incentive plan of the Company as detailed in Notes 38 are entitled to equity interest in Horgos Yuehua in proportion to their respective shareholding in the Company upon the completion of the Reorganization. Both Horgos Yuehua and the Company are under the control of the same ultimate controlling shareholder, being Ms. Du. Hence, this deemed distribution was accounted for as an equity transaction (i.e. distribution to owners) in the Group's consolidated statements of changes in equity, resulting in a credit of approximately RMB 565,000 to total equity with no impact to profit or loss.

1 GENERAL INFORMATION AND REORGANIZATION *(continued)*

1.2 Reorganization *(continued)*

(g) Dismantlement of contractual arrangements in respect of Horgos Yuehua *(continued)*

Overall, transactions from steps 1.2(a) to (g) above were considered multiple steps of one transaction which formed a recapitalization of the Listing Business with no changes in management of the Listing Business and the ultimate owners of the Listing Business remain the same.

Moreover, as the Group's reorganization was not fully completed as at December 31, 2021, the Group's consolidated financial statements for the year ended December 31, 2021 was presented under combined basis.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) 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, 2023. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) 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 January 1, 2023 and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of financial position respectively.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

2.2.3 Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.4 Business Combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amounts of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the comprehensive income.

Inter-company transactions, balances and realized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

2.2.4 Business Combination *(continued)*

(a) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amounts of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amounts recognized in profit or loss. The fair value is the initial carrying amounts for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS.

2.2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**Functional Currency**"). The Functional Currency of the Company is HKD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group has determined RMB as its presentation currency and presented its consolidated financial statements in RMB (unless otherwise stated).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss.

All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statements of comprehensive income on a net basis within "Other gains/(losses), net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss ("**FVPL**"), are recognized in the consolidated statements of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through OCI ("**FVOCI**"), are included in OCI.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognized in OCI.

On consolidation, exchange differences arising from the translation of any net investments in foreign entities are recognized in OCI.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs include expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

• Buildings	40 years
• Furniture and office equipment	3–5 years
• Computer equipment	3–5 years
• Motor vehicles	5 years
• Leasehold improvements	Shorter of estimated useful lives and remaining lease terms
• Freehold land	Indefinite

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other gains, net" in the consolidated statements of comprehensive income.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is carried at cost, including the related transaction costs, less accumulated depreciation and accumulated impairment losses, if any.

Investment properties of the Group include building and freehold land. Depreciation for building is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives of 40 years. Freehold land is not depreciated. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

2.7 Intangible assets

(a) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line method over their estimated useful lives of 5 years.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets *(continued)*

(b) Music copyrights

The Group acquired music copyrights for music contents licensed from third parties and these acquired copyrights are stated at costs less accumulated amortization and impairment. Their costs are expensed to the Group's consolidated statement of profit or loss, within "cost of revenue", based on the pattern of which their future economic benefit useful life are expected be consumed by the Group, being straight line over their license periods, being generally 5 to 10 years. The Group considers the license periods of music copyrights as the best estimation for their useful lives as they primarily generate revenue from sub-licensing which is derived evenly throughout the period which their future economic benefit are expected to be consumed by the Group.

(c) Movie right

Movies under production are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of movies. Provisions are made for costs which are in excess of the expected future revenues generated by these movies. The balance of film production costs not yet due at the end of each reporting period are disclosed as commitments.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investments is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains/(losses), net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "Other gains/(losses), net" in the period in which it arises.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

(c) Measurement *(continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "Other gains/(losses), net" in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group has the following types of financial assets subject to IFRS 9's expected credit loss model:

- Cash and cash equivalents
- Term deposit with original maturity of more than three months
- Restricted cash
- Trade receivables
- Other receivables
- Investments measured at amortized cost

While the Group's cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were deposited in high quality financial and other institutions with sound credit ratings.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables and investments measured at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

(e) Derecognition

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 Inventories

Inventories consist primarily of artist-related merchandise and other materials for sale, and are stated at the lower of cost, using the weighted average method, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.11 Trade and other receivables

Trade receivables are amounts due from customers for service performed or inventories sold in the ordinary course of business. If collection of trade receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. Other receivables are recognized initially at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 24 and 25 for further information about the Group's accounting for trade and other receivables and Note 4.1(b)(ii) for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents include cash at bank, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each year. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government- supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.18 Share-based benefits

The fair value of the employee service received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized in profit or loss over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution in the separate financial statements of the Company. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.18 Share-based benefits *(continued)*

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancelation of some or all the equity instruments granted).

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.20 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.20 Revenue recognition *(continued)*

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The Group principally derives revenue from artist management, music IP production and operation, and pan-entertainment business:

(a) Artist management

The Group provides artist management service to corporate customers by arranging its artists to participate in commercial activities, such as endorsement deals, business promotion events and commercial performances, and entertainment content services, such as performing in movies, drama series and variety programs. Revenue is recognized when the relevant services are provided either over the fixed endorsement deals contract period or scheduled production period of movies, drama series and variety programs, or at the point in time when the artists attend those events and performances.

In evaluating the Group's role as a principal or agent in the provision of artist management services, the Group considers individually or in combination, that (a) the Group is the primary obligator for fulfilling its promise to its customers with the artist management services as it negotiates the service scope, has full discretion to determine which business activities to undertake, which artists will be assigned the plan and the manner in which the artists will fulfill the demand of customers for these activities; (b) the Group bears certain inventory risk as it needs to pay for the training of artists and costs of training and styling services provided by third-party vendors or in-house staff to the artists, as well as the staff costs (including those staff who work together with the artist on these business activities) and does not have unconditional right to all the revenue until it has provided the services to the customers; and (c) the Group has discretion in establishing the contract price for these business activities with the corporate customers and has ability to negotiate the service terms and pricing separately with the artists and third party vendors who provide training and styling services. Thus, the Group is regarded as the principal and recognizes revenue from artist management on a gross basis and recognizes fulfillment costs, primarily being revenue-sharing with artists and online platforms, the costs of artist training and styling services provided by third-party vendors as cost of revenue.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.20 Revenue recognition *(continued)*

(b) Music IP production and operation

The Group generates revenue from sub-licensing music copyrights to third parties' online platforms. Under these arrangements, the Group's performance obligations are either (i) to deliver specific licensed songs from its existing music content for fixed periods of time; or (ii) to maintain dynamic licensed content libraries for these online platforms to access for fixed periods of time during which the Group is required to maintain a minimum number of songs' licenses and obliged to replicate the licensed content libraries for any subsequent change in the content, including addition of new content or removal of existing content, as the Group primarily relies on self-produced copyrights of the Group's own artists to fill these libraries and will continuously manage the rosters of content to promote its artists via these platforms' traffic while undertaking activities including but not limited to arranging various commercial events for the artists as well as external marketing efforts that will significantly impact these artists' popularity and the number of potential listeners of these artists' music, throughout the license period.

For (i), the Group charged its customers under fixed-payment basis and considered satisfying its performance obligation at a point in time when the licensed content is made available for the customers' use and benefit, typically upon the transfer of the licensed content to the customer.

For (ii), the Group charged its customers on a minimum guarantee plus revenue-sharing basis. The Group is paid minimum fixed considerations annually throughout the license period and entitled to additional revenue each year based on certain key performance indicators (e.g. listening rates of the content in the libraries by paid-user of the online platform) which give rise to variable considerations. As the Group's performance obligations are satisfied over time over the license period, the Group would recognize the revenue of minimum fixed considerations over the license period and the revenue of usage-based variable considerations to the extent that it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved, which is typically when the Group received the quarterly or semi-annual usage reports from the online platforms operators.

Since the Group has the ability to determine the pricing of the music licensing and negotiate the service terms, bears the relevant costs including the self-production costs of music content and costs of acquired music copyrights, and take responsibility for managing the licensed libraries, the Group is regarded as the principal and recognizes revenue from music licensing on a gross basis and recognizes production costs of music content and other applicable fulfillment costs as cost of revenue.

(c) Pan-entertainment business

The Group provides entertainment business including sub-licensing of variety programs, sales of artist-related merchandise and provision of other services. The revenue from these services is recognized when the relevant services were provided.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.21 Leases

The Group leases certain offices and motor vehicles. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate is used.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful lives and the lease terms on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.22 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the expenses that they are intended to compensate.

2.23 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

2.24 Convertible preferred shares

The Group issued convertible preferred shares which give options to holders a right for redemption into cash after specified timing or a right for conversion into ordinary shares of the Company. The convertible preferred shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates convertible preferred shares as financial liabilities at FVTPL. Convertible preferred shares are classified as non-current liabilities or current liabilities depending on whether the convertible preferred shares holders can demand the Company to redeem the convertible preferred shares for cash within 12 months after the end of the reporting period or not. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive income. The component of fair value changes relating to the Company's own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in the statement of comprehensive income, but are transferred to retained earnings when realized.

3 SUMMARY OF OTHER ACCOUNTING POLICIES

3.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued and other reserve (for consideration paid beyond the nominal value of each share). Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

3.2 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of each reporting period.

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, fair value interest rate risk and price 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.

(a) Market risk

(i) 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 Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets and liabilities denominated in USD whereas their functional currency is RMB. If USD had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for year ended December 31, 2023 would have been approximately RMB37,000 lower/higher (profit before income tax for the year ended December 31, 2022: approximately RMB14,000 higher/lower).

The functional currency of the Company is HKD, which is exposed to foreign currency risk with respect to the Company's monetary assets and liabilities denominated in RMB and USD. If RMB had strengthened/weakened by 5% against HKD with all other variables held constant, the loss before income tax for the year ended December 31, 2023 would have been approximately RMB601,682 lower/higher (profit before income tax for the year ended December 31, 2022: approximately RMB10,777,000 higher/lower). For balances denominated in USD are reasonably stable with the Hong Kong dollars under the Linked Exchange Rate System, the directors are of the opinion that the Company does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group has no significant interest-bearing assets. Hence, the directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

As at December 31, 2023 and 2022, the Group's interest-bearing borrowings at floating rates were as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Borrowings at floating rates	**66,167**	66,276

As at December 31, 2023, if the interest rates on borrowings at floating rates has been 50 basis points higher with all other variables held constant, loss before income tax for the year then ended would have been approximately RMB331,000 higher/lower (2022: profit before income tax would have been approximately RMB331,000 lower/higher), mainly as a result of higher/lower interest expenses from borrowings.

(iii) Price risk

The Group is exposed to price risk mainly arising from investments held by the Group that are classified as financial assets at FVPL (Note 22). The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of FVPL at the end of each reporting period. If prices of the instrument held by the Group had been 5% higher/lower as at December 31, 2023, loss before income tax for the year would have been approximately RMB11,525,000 lower/higher as a result of gains/losses on financial instruments classified as at FVPL (profit before income tax for the year ended December 31, 2022: RMB16,790,000 higher/lower).

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, term deposits, restricted cash, trade and other receivables.

(i) Risk management

For cash and cash equivalents, term deposits and restricted cash, management manages the credit risk by placing deposits in high quality financial institutions and other institutions with sound credit ratings.

For trade and other receivables, the Group has policies in place to ensure that sales of product and service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The carrying amounts of cash and cash equivalents, term deposits, as well as trade and other receivables represent the Group's maximum exposure to credit risk in relation to the assets.

(ii) Impairment of financial assets

The Group has below types of assets subject to IFRS 9's expected credit loss model:

- Cash and cash equivalents
- Term deposit with original maturity of more than three months
- Restricted cash
- Trade receivables
- Other receivables
- Investments measured at amortized cost

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) ***Impairment of financial assets*** (continued)

Cash and cash equivalents, term deposit with original maturity of more than three months and restricted cash

While the Group's cash and cash equivalents, term deposit with original maturity of more than three months and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were with sound credit ratings.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and the days past due. The Group measures the expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss on individual basis

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Measurement of expected credit loss on collective basis

The expected loss rates are based on the aging profiles of trade receivables and the corresponding historical credit losses expected. These historical loss rates are then adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group has identified the "business climate index" of the PRC in which it primarily provides its services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

On such basis, the loss allowance as at December 31, 2023 and 2022 was determined as follows for trade receivables:

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
As at December 31, 2023							
On collective basis							
Expected loss rate	5.68%	7.90%	17.09%	42.04%	68.79%	100.00%	16.55%
Gross carrying amount (RMB'000)	77,102	9,381	15,656	1,777	1,006	9,737	114,659
Loss allowance provision (RMB'000)	4,380	741	2,675	747	692	9,737	18,972
On individual basis							
Expected loss rate	–	–	–	100.00%	100.00%	100.00%	100.00%
Gross carrying amount (RMB'000)	–	–	–	3,585	5,951	1,857	11,393
Loss allowance provision (RMB'000)	–	–	–	3,585	5,951	1,857	11,393
Total							
Expected loss rate	5.68%	7.90%	17.09%	80.79%	95.49%	100.00%	24.09%
Gross carrying amount (RMB'000)	77,102	9,381	15,656	5,362	6,957	11,594	126,052
Loss allowance provision (RMB'000)	4,380	741	2,675	4,332	6,643	11,594	30,365
As at December 31, 2022							
On collective basis							
Expected loss rate	3.61%	8.11%	13.22%	35.39%	58.33%	100.00%	13.89%
Gross carrying amount (RMB'000)	76,307	28,559	27,948	8,345	1,200	8,538	150,897
Loss allowance provision (RMB'000)	2,757	2,315	3,694	2,953	700	8,538	20,957

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Trade receivables (continued)

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
On individual basis							
Expected loss rate	–	–	–	–	–	100.00%	100.00%
Gross carrying amount (RMB'000)	–	–	–	–	–	1,857	1,857
Loss allowance provision (RMB'000)	–	–	–	–	–	1,857	1,857
Total							
Expected loss rate	3.61%	8.11%	13.22%	35.39%	58.33%	100.00%	14.94%
Gross carrying amount (RMB'000)	76,307	28,559	27,948	8,345	1,200	10,395	152,754
Loss allowance provision (RMB'000)	2,757	2,315	3,694	2,953	700	10,395	22,814

The movement of loss allowances for trade receivables for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	**22,814**	17,044
Impairment provision	**7,529**	5,747
Currency translation difference	**22**	23
At the end of the year	**30,365**	22,814

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Other receivables and investments measured at amortized cost

Other receivables primarily comprise balances resulted from the Group's principal activities with various business partners primarily in the PRC entertainment industry. Investments measured at amortized cost comprises investments in debt instruments. The impairment loss of these financial assets carried at amortized cost is measured based on the twelve months expected credit loss. The directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations; and
- significant changes in the expected performance and behavior of the borrowers, including changes in the payment status of borrowers in the group and changes in the operating results of the borrowers.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Under such case, the other receivables and investments measured at amortized cost are classified as stage 2 and subject to lifetime expected losses provision. When the other receivables and investments measured at amortized cost became past due for more than 90 days, they are treated as credit-impaired and therefore classified as stage 3.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorizes a receivable for write off when a debtor fails to make contractual payments more than three years past due. Where other receivables and investments measured at amortized cost have been written off, the Company continues to engage in follow-up actions such as enforcement activities to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Management uses three categories for other receivables and investments measured at amortized cost which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies including Moody's.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Other receivables and investments measured at amortized cost (continued)

A summary of the assumptions underpinning the Group's expected credit loss model on other receivables and investments measured at amortized cost is as follows:

Category	The Group's definition of category	Basis for recognition of expected credit loss provision
Stage 1	Other receivables and investments measured at amortized cost whose credit risk is in line with original expectations and/or past due for less than 30 days.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage 2	Other receivables and investments measured at amortized cost for which a significant increase has occurred compared to original expectations; A significant increase in credit risk is presumed if interest and/or principal repayments are past due for more than 30 days but less than 90 days.	Lifetime expected losses
Stage 3	Interest and/or principal repayments are more than 90 days past due or it becomes probable a customer will enter bankruptcy.	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than three years past due and there is no reasonable expectation of recovery.	Asset is written off

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Other receivables and investments measured at amortized cost (continued)

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data. The Group provides for credit losses against other receivables and investments measured at amortized cost as follows:

As at December 31, 2023

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross carrying amount				
Loans to third parties	3,926	–	–	3,926
Rental and other deposits	4,576	–	–	4,576
Investments measured at amortized cost	304,315	–	–	304,315
Others	2,471	–	–	2,471
	315,288	–	–	315,288
Loss allowance				
Loans to third parties	113	–	–	113
Rental and other deposits	209	–	–	209
Investments measured at amortized cost	3,561	–	–	3,561
Others	65	–	–	65
	3,948	–	–	3,948
Expected credit loss rate	1.25%	–	–	1.25%

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Other receivables and investments measured at amortized cost (continued)

As at December 31, 2022

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross carrying amount				
Loans to third parties	3,652	–	–	3,652
Rental and other deposits	6,060	–	–	6,060
Investments measured at amortized cost	89,327	–	–	89,327
Others	68	–	–	68
	99,107	–	–	99,107
Loss allowance				
Loans to third parties	328	–	–	328
Rental and other deposits	423	–	–	423
Investments measured at amortized cost	2,047	–	–	2,047
Others	5	–	–	5
	2,803	–	–	2,803
Expected credit loss rate	2.83%	–	–	2.83%

The loss allowances for other receivables and investments measured at amortized costs as at December 31, 2023 and 2022, reconcile to the opening loss allowances as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	**2,803**	824
Impairment provision	**1,149**	1,968
Currency translation difference	**(4)**	11
At the end of the year	**3,948**	2,803

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the senior management to finance the Group's operations and mitigate the effects of fluctuations in cash.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
At December 31, 2023					
Borrowings	**30,577**	**122,748**	**81,561**	**108,879**	**343,765**
Trade payables	**149,603**	**–**	**–**	**–**	**149,603**
Other payables and accruals (excluding accrued payroll and employee benefit expenses, VAT and surcharges payable)	**17,879**	**–**	**–**	**–**	**17,879**
Lease liabilities	**6,136**	**3,318**	**6,345**	**–**	**15,799**
	204,195	**126,066**	**87,906**	**108,879**	**527,046**
At December 31, 2022					
Borrowings	3,437	3,446	68,542	–	75,425
Trade payables	190,619	–	–	–	190,619
Other payables and accruals (excluding accrued payroll and employee benefit expenses, VAT and surcharges payable)	16,868	–	–	–	16,868
Lease liabilities	3,574	2,971	2,881	–	9,426
Financial liabilities at FVPL	132,013	591,035	–	–	723,048
	346,511	597,452	71,423	–	1,015,386

4 FINANCIAL RISK MANAGEMENT *(continued)*

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 but excluding redemption liabilities and financial liabilities at fair value through profit or loss) less cash and cash equivalents, term deposits and restricted cash. Total capital is calculated as total equity (excluding reserve components attributable to redemption liabilities), as shown in the statement of financial position, plus net debt. As at December 31, 2023 and 2022, 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.

The tables below analyze the Group's financial instruments carried at fair value as at December 31, 2022 and 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).

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation *(continued)*

4.3.1 Fair value hierarchy *(continued)*

	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 wealth management products (Note 22(a))	–	–	107,000	107,000
Investments in unlisted entities (Note 22(c))	–	–	40,157	40,157
Investments in a listed entity (Note 22(d))	–	14,930	–	14,930
Investment in unlisted funds (Note 22(b))	–	–	68,418	68,418
	–	14,930	215,575	230,505

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2022				
Financial assets at FVPL				
Investments in wealth management products (Note 22(a))	–	–	290,265	290,265
Investments in unlisted entities (Note 22(c))	–	–	30,831	30,831
Investments in a listed entity (Note 22(d))	–	14,715	–	14,715
	–	14,715	321,096	335,811

There was no transfer of fair value hierarchy levels during the years ended December 31, 2023 and 2022.

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.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation *(continued)*

4.3.2 Valuation techniques used to determine fair values *(continued)*

There were no changes to valuation techniques during the years ended December 31, 2023 and 2022.

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 movies, drama series and variety programs, investments in unlisted entities, and investments in unlisted funds for the years ended December 31, 2023 and 2022.

	Financial assets at FVPL				
	Investments in wealth management products RMB'000	Investments in movies, drama series and variety programs RMB'000	Investments in unlisted entities RMB'000	Investments in unlisted funds RMB'000	Total RMB'000
As at January 1, 2023	**290,265**	**–**	**30,831**	**–**	**321,096**
Additions	**70,000**	**–**	**–**	**64,581**	**134,581**
Disposals	**(257,571)**	**–**	**–**	**–**	**(257,571)**
Fair value changes	**4,306**	**–**	**10,500**	**3,487**	**18,293**
Currency translation differences	**–**	**–**	**(1,174)**	**350**	**(824)**
As at December 31, 2023	**107,000**	**–**	**40,157**	**68,418**	**215,575**
As at January 1, 2022	446,265	1,820	2,800	–	450,885
Additions	741,000	–	27,419	–	768,419
Disposals	(909,949)	(1,820)	(800)	–	(912,569)
Fair value changes	12,949	–	–	–	12,949
Currency translation differences	–	–	1,412	–	1,412
As at December 31, 2022	290,265	–	30,831	–	321,096

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation *(continued)*

4.3.4 Valuation process, inputs and relationships to fair value

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments.

The valuation of the level 3 instruments mainly included financial assets, being investments in wealth management products (Note 22(a)), investment in unlisted funds (Note 22(b)), investments in unlisted entities (Note 22(c)), and investments in movies, drama series and variety programs. 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 acquisition of principal-guaranteed and interest-bearing transferrable certificate of deposit issued by a large and reputable PRC commercial bank. 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.

The investments in movies, drama series and variety programs mainly represent the investments in certain movies and drama series and variety programs. The Group used discounted cash flows approach to evaluate the fair value of the investments in movies, drama series and variety programs as at each year end.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation *(continued)*

4.3.4 Valuation process, inputs and relationships to fair value *(continued)*

The following table summarizes the information about the significant unobservable inputs used in the level 3 fair value measurement of investments in wealth management products, investments in unlisted entities, and investments in unlisted funds:

Description	Fair value at December 31, 2023 RMB'000	Fair value at December 31, 2022 RMB'000	Key inputs and relationships of unobservable inputs to fair value
Investments in unlisted entities	**40,157**	30,831	Market approach Reference to a combination of unobservable inputs, including market multiples, discount rate for lack of marketability etc. The higher the market multiples, the higher the fair value. The lower the discount rate, the higher the fair value.
Investments in wealth management products	**107,000**	290,265	As at December 31, 2023 and 2022, the expected rates of return range from 2.32% to 3.40%, 1.80% to 3.95%, respectively. The higher the expected rate of return, the higher the fair value.
Investment in unlisted funds	**68,418**	–	Reference to a combination of unobservable inputs, including market multiples, discount rate for lack of marketability etc. The higher the market multiples, the higher the fair value. The lower the discount rate, the higher the fair value.
Total	**215,575**	321,096	

For the significant unobservable inputs and their relationships to the fair value of convertible preferred shares, please refer to Note 34.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2023 and 2022.

The carrying amount of the Group's other financial assets, including cash and cash equivalents, term deposits, restricted cash, trade receivables, other receivables, investments measured at amortized cost and the Group's financial liabilities, including trade payables, other payables and accruals and lease liabilities, approximate their fair values.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimation of the fair value of certain financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 4.3.

(b) Measurement of the expected credit losses

The measurement of the expected credit losses for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss is further detailed in Notes 4.1(b).

A number of judgments are also required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss; and
- Establishing the number and relative weightings for forward-looking scenarios and the associated expected credit loss.

(c) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgments and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(d) Recognition of share-based payment expenses

As disclosed in Note 39, the Group issued restricted share units to certain employees under a share incentive scheme which resulted in the recognition of share-based payment expenses. Significant estimates on key assumptions are required to be made by management in determining the fair value of the issued shares on grant date, including discount rate and discount for lack of control.

6 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 years ended December 31, 2023 and 2022, breakdown of the total revenue by geographical location is as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Mainland China	**664,166**	887,486
Korea	**91,515**	92,768
	755,681	980,254

During the years ended December 31, 2023 and 2022, all of the Group's revenues are from contracts with customers. Please refer to Note 2.20 for detail of accounting policies on revenue recognition.

During the years ended December 31, 2023 and 2022, the Group's non-current assets other than financial instruments and deferred income tax assets were located in Mainland China and Korea as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Mainland China	**524,377**	41,831
Korea	**107,833**	105,608
	632,210	147,439

7 REVENUE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Artist management	**662,878**	851,604
Music IP production and operation	**70,299**	98,610
Pan-entertainment business	**22,504**	30,040
	755,681	980,254

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue at a point in time	**243,885**	243,490
Revenue over time	**511,796**	736,764
	755,681	980,254

During the years ended December 31, 2023 and 2022, there were no customers who contributed to 10% or more of the total revenue of the Group.

Contract liabilities of the Group represent non-refundable advanced payments received from the customers for services that have not yet been transferred to the customers. Changes in the balances of such liabilities during the years ended December 31, 2023 and 2022 was mainly due to fluctuations in sales with advanced payments.

The following table shows how much of the revenue is recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue recognized that was included in contract liabilities at the beginning of each of the year	**89,234**	194,040

7 REVENUE *(continued)*

The amount of transaction prices allocated to the remaining unsatisfied or partially unsatisfied performance obligations during the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Amount expected to be recognized as revenue:		
– Within one year	**173,054**	129,596
– More than one year but less than two years	**24,576**	30,636
	197,630	160,232

As a practical expedient permitted under IFRS 15, the above balances do not include any estimated amounts of variable consideration that are constrained and not included in the transaction prices.

8 EXPENSES BY NATURE

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenue sharing for artist management business	**374,470**	431,820
Equity settled share-based payments (Note 39)	**92,187**	91,113
Employee benefits expenses other than equity settled share-based payments (Note 11)	**72,011**	69,066
Production costs of music content	**49,014**	46,632
Artist promotion costs	**47,430**	41,695
Production costs of concert	**23,958**	–
Listing expenses	**11,468**	28,841
Advertising and promotion expenses	**9,091**	8,285
Travelling expenses	**8,171**	5,493
Depreciation of property, plant and equipment (Note 16)	**7,682**	6,848
Depreciation of right-of-use assets (Note 18)	**6,958**	5,321
Professional fees	**6,406**	3,177
Taxes and surcharge	**5,270**	2,832
Artist-related merchandise	**4,359**	4,125
Rental expenses for short-term and low-value leases (Note 18)	**2,558**	2,073
Amortization of intangible assets (Note 19)	**835**	1,907
Depreciation of investment properties (Note 17)	**184**	188
Auditor's remuneration		
– Audit services (excluding listing expenses)	**3,000**	1,800
– Non-audit service	**2,308**	–
Others	**26,050**	23,057
Total cost of revenue, selling and marketing expenses, and general and administrative expenses	**753,410**	774,273

9 OTHER INCOME

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Tax credit of input tax additional deduction	**686**	3,009
Government subsidies (a)	**21,647**	314
Rental income from investment properties	**478**	578
	22,811	3,901

(a) During the year ended December 31, 2023, the Group received unconditional subsidies which was granted by the local government in recognition of the Group's contributions.

10 OTHER GAINS, NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Fair value gains from wealth management products (Note 22(a))	**4,306**	12,949
Net exchange losses	**(6,016)**	(5,424)
Fair value gains from a listed entity (Note 22(d))	**215**	2,716
Fair value gains from unlisted entities (Note 22(c))	**10,500**	–
Net gains/(losses) on disposal of property, plant and equipment	**44**	(218)
Fair value gains from unlisted funds (Note 22(b))	**3,487**	–
Net gains on disposal of right-of-use assets	**–**	21
Gains on disposal of an associate	**2,171**	–
	14,707	10,044

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS)

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**58,657**	56,918
Welfare, medical and other expenses	**8,366**	7,685
Contributions to pension plans	**4,988**	4,463
	72,011	69,066

(a) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes partnerships which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

As at December 31, 2023 and 2022, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS) *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director for the year ended December 31, 2023 (2022: one), and their emoluments are reflected in the analysis shown in Note 11(c). The emoluments payable to the remaining four individuals during the year ended December 31, 2023 (2022: four) are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries, and bonuses	**5,745**	6,544
Pension costs – defined contribution plans	**160**	173
Other social security costs, housing benefits and other employee benefits	**399**	262
Equity settled share-based payments	**16,409**	27,178
	22,713	34,157

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2023	2022
Emoluments bands:		
HKD4,000,001 to HKD5,000,000 (equivalent to approximately RMB3,604,367 to RMB4,505,458)	**2**	1
HKD5,000,001 to HKD6,000,000 (equivalent to approximately RMB4,505,459 to RMB5,406,550)	**–**	1
HKD6,000,001 to HKD7,000,000 (equivalent to approximately RMB5,406,551 to RMB6,307,642)	**–**	–
HKD7,000,001 to HKD8,000,000 (equivalent to approximately RMB6,307,643 to RMB7,208,733)	**1**	–
HKD8,000,001 to HKD9,000,000 (equivalent to approximately RMB7,208,734 to RMB8,109,825)	**1**	2
	4	4

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the years ended December 31, 2023 and 2022.

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS) *(continued)*

(c) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

	Director's fee RMB'000	Wages, salaries, and bonuses RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Equity settled share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2023						
Chairlady and executive director:						
Ms. Du	–	1,713	63	89	–	1,865
Executive directors:						
Mr. Sun Le	–	927	63	89	7,583	8,662
Mr. Sun Yiding	–	1,349	60	84	–	1,493
Non-executive directors:						
Mr. Meng Jun	–	–	–	–	–	–
Ms. Yao Lu	–	–	–	–	–	–
Mr. Meng Qingguang	–	–	–	–	–	–
Ms. Zhao Wenjie	–	–	–	–	–	–
Independent non-executive directors						
Mr. Fan Hui	120	–	–	–	–	120
Mr. Huang Jiuling	120	–	–	–	–	120
Mr. Lu Tao	120	–	–	–	–	120
	360	3,989	186	262	7,583	12,260

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS) *(continued)*

(c) Directors' and chief executive's emoluments *(continued)*

	Director's fee RMB'000	Wages, salaries, and bonuses RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Equity settled share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2022						
Chairlady and executive director:						
Ms. Du	–	1,420	58	82	–	1,560
Executive directors:						
Mr. Sun Le	–	1,044	58	82	9,178	10,362
Mr. Sun Yiding	–	939	50	70	–	1,059
Non-executive directors:						
Ms. Yao Lu	–	–	–	–	–	–
Mr. Meng Qingguang	–	–	–	–	–	–
Ms. Zhao Wenjie	–	–	–	–	–	–
	–	3,403	166	234	9,178	12,981

Ms. Du, Mr. SUN Le and Mr. SUN Yiding were appointed as directors of the Company on June 10, 2021, and were re-designated as the executive directors of the Company on March 3, 2022. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the years ended December 31, 2023 and 2022, and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Ms. YAO Lu, Mr. MENG Qingguang and Ms. ZHAO Wenjie were appointed as the directors of the Company on January 28, 2022 and were re-designated as the non-executive directors of the Company on March 3, 2022. On June 28, 2023, Mr. MENG Qingguang and Ms. ZHAO Wenjie have resigned as non-executive directors, and Mr. Meng Jun has been appointed as a non-executive director with effect from June 28, 2023. Ms. YAO has resigned as a non-executive director with effect from February 5, 2024. During the years ended December 31, 2023 and 2022, they received nil directors' remuneration in the capacity of directors.

During the year ended December 31, 2023 and 2022, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; and no director waived or has agreed to waive any remuneration.

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS) *(continued)*

(d) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the years ended December 31, 2023 and 2022.

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of each reporting period or at any time during the years ended December 31, 2023 and 2022.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 37, no loans, quasi-loans or other dealings are entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2023 and 2022.

(g) Directors' material interests in transactions, arrangements or contract

Save as disclosed in Note 37, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended December 31, 2023 and 2022.

12 FINANCE INCOME, NET

	Year ended December 31,	
	2023 **RMB'000**	2022 RMB'000
Finance income		
– Interest income from bank deposits	**21,186**	6,323
– Interest income from investments measured at amortized cost (Note 26)	**14,325**	–
– Interest income from loans to third parties	**–**	274
	35,511	6,597
Finance costs		
– Interest expenses on bank borrowings	**(3,377)**	(2,511)
– Interest expenses on lease liabilities	**(620)**	(389)
– Interest expenses on redemption liabilities	**–**	(3,406)
	(3,997)	(6,306)
Finance income – net	**31,514**	291

13 INCOME TAX EXPENSE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	**36,209**	61,861
– Hong Kong profits tax	**6**	–
– Korea corporate income tax	**–**	5,498
Deferred income tax (Note 30)	**1,303**	(1,112)
Income tax expense	**37,518**	66,247

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to subsidiaries comprising the Group as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
(Loss)/profit before income tax expense	**(105,070)**	1,791,432
Add: share of losses of investments accounted for using the equity method	**7,171**	3,062
	(97,899)	1,794,494
Tax calculated at the applicable tax rates of respective subsidiaries	**7,671**	45,080
Expenses not deductible for tax purposes	**21,135**	20,086
Tax losses and temporary differences not recognized for deferred tax assets	**8,712**	1,081
Income tax expense	**37,518**	66,247

(a) Cayman Islands

Under the current laws of the Cayman Islands, entities incorporated in the Cayman Islands are not subject to tax on income or capital gain. In addition, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

(b) Hong Kong Profits Tax

Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profits up to HKD2,000,000; and 16.5% on any part of the estimated assessable profits over HKD2,000,000 during the years ended December 31, 2023 and 2022.

13 INCOME TAX EXPENSE *(continued)*

(c) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2023 and 2022.

As stipulated in Zang Zheng Fa 2022 No. 11, enterprises established in Tibet that fulfilled certain criteria could enjoy overall preferential CIT rate of 9% during the years from January 1, 2022 to December 31, 2025. Tibet Yuehua Culture Communication Co., Ltd., a subsidiary established in Tibet, was entitled to such CIT benefit during the years from January 1, 2022 to December 31, 2023, and will continue to be subject to such CIT benefit if it continues to meet certain criteria set forth in Zang Zheng Fa 2022 No. 11.

(d) Korea corporate income Tax

Korea corporate income tax has been provided at the rates of 11% on the first KRW200,000,000 (equivalent to approximately RMB1,082,000 and RMB1,047,000 during the years ended December 31, 2023 and 2022) of the tax base, 22% up to KRW20,000,000,000 (equivalent to approximately RMB108,242,000 and RMB104,652,000 during the years ended December 31, 2023 and 2022), 24.2% for amounts up to KRW300,000,000,000 (equivalent to approximately RMB1,623,626,000 and RMB1,569,777,000 during the years ended December 31, 2023 and 2022) and 27.5% over KRW300,000,000,000 (equivalent to approximately RMB1,623,626,000 and RMB1,569,777,000 during the years ended December 31, 2023 and 2022) on the estimated assessable profits of the Group's operations in Korea during the years ended December 31, 2023 and 2022.

14 DIVIDENDS

The Board of Directors did not recommend the payment of final dividends for the year ended December 31, 2023.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Interim dividends declared and settled by the Company to its ordinary shareholders	–	202,053
Interim dividends declared and paid by the Company to its ordinary shareholders	–	57,898
Dividends declared and paid by the Company to the holders of convertible preferred shares	–	139,369
	–	399,320

15 (LOSS)/EARNINGS PER SHARE

The basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2023 and 2022.

In determining the weighted average number of ordinary shares deemed to be in issue during the years ended December 31, 2023 and 2022, 463,200,000 shares, being the number of ordinary shares issued by the Company on June 10, 2021 (date of incorporation), and the capitalization issue and shares vesting under restricted share unit scheme that took place during the year ended December 31, 2023, were both considered when computing the basic and diluted earnings per share for the years ended December 31, 2023 and 2022.

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

(a) Basic (loss)/earnings per share

	Year ended December 31,	
	2023	2022
(Loss)/profit attributable to owners of the Company (RMB'000)	**(140,837)**	1,724,470
Weighted average number of ordinary shares in issue	**820,140,478**	463,200,000
Basic (loss)/earnings per share (RMB)	**(0.17)**	3.72

(b) Diluted (loss)/earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares pursuant to the convertible preferred shares (Note 34), which were deemed to have been allotted and issued on January 1, 2021 as if the Company had been incorporated by then, and taking into account the capitalization issue that took place in January 2023.

During the year ended December 31, 2022, restricted shares granted as detailed in Note 39 are contingently issuable shares and have therefore been excluded in the calculation of diluted earnings per share as the relevant conditions for the issuance of these shares have not been satisfied.

15 (LOSS)/EARNINGS PER SHARE *(continued)*

(b) Diluted (loss)/earnings per share *(continued)*

During the year ended December 31, 2023, the Group incurred losses and the potential ordinary shares were not included in the calculation of the diluted loss per share as they are anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2023 is the same as basic loss per share.

	Year ended December 31,	
	2023	2022
(Loss)/profit attributable to owners of the Company (RMB'000)	**(140,837)**	1,724,470
Adjustment for interest expenses on redemption liabilities and fair value changes of convertible preferred shares (Note 34) (RMB'000)	**–**	(1,578,586)
(Loss)/profit used to determine diluted earnings per share (RMB'000)	**(140,837)**	145,884
Weighted average number of ordinary shares in issue	**820,140,478**	463,200,000
Adjustment for convertible preferred shares (Note 34)	**–**	249,300,000
	820,140,478	712,500,000
Diluted (loss)/earnings per share (RMB)	**(0.17)**	0.20

16 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	Total RMB'000
At January 1, 2022							
Cost	73,842	14,443	1,786	3,807	3,846	13,547	111,271
Accumulated depreciation	–	(843)	(717)	(1,284)	(1,287)	(3,495)	(7,626)
Net book amount	73,842	13,600	1,069	2,523	2,559	10,052	103,645
Year ended December 31, 2022							
Opening net book amount	73,842	13,600	1,069	2,523	2,559	10,052	103,645
Additions	–	–	65	1,013	240	2,607	3,925
Depreciation charge	–	(372)	(342)	(937)	(736)	(4,461)	(6,848)
Disposals	–	–	–	(248)	–	(235)	(483)
Currency translation differences	2,243	413	5	30	13	58	2,762
Closing net book amount	76,085	13,641	797	2,381	2,076	8,021	103,001
At December 31, 2022							
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

16 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	Total RMB'000
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
Year ended December 31, 2023							
Opening net book amount	76,085	13,641	797	2,381	2,076	8,021	103,001
Additions	–	–	82	1,339	317	6,678	8,416
Depreciation charge	–	(365)	(232)	(1,007)	(1,054)	(5,024)	(7,682)
Disposals	–	–	–	(1)	(37)	–	(38)
Currency translation differences	(128)	(29)	(1)	(1)	(4)	(14)	(177)
Closing net book amount	75,957	13,247	646	2,711	1,298	9,661	103,520
At December 31, 2023							
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

Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cost of revenue	**2,199**	2,098
Selling and marketing expenses	**3,903**	2,776
General and administrative expenses	**1,580**	1,974
	7,682	6,848

17 INVESTMENT PROPERTIES

	Building RMB'000	Freehold land RMB'000	Total RMB'000
Year ended December 31, 2022			
Opening net book amount	6,881	7,231	14,112
Depreciation charge	(188)	–	(188)
Currency translation differences	209	220	429
Closing net book amount	6,902	7,451	14,353
At December 31, 2022			
Cost	7,530	7,451	14,981
Accumulated amortization	(628)	–	(628)
Net book amount	6,902	7,451	14,353
Year ended December 31, 2023			
Opening net book amount	**6,902**	**7,451**	**14,353**
Depreciation charge	**(184)**	**–**	**(184)**
Currency translation differences	**(15)**	**(13)**	**(28)**
Closing net book amount	**6,703**	**7,438**	**14,141**
At December 31, 2023			
Cost	**7,517**	**7,438**	**14,955**
Accumulated amortization	**(814)**	**–**	**(814)**
Net book amount	**6,703**	**7,438**	**14,141**

Depreciation of the Group's investment properties has been recognized as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
General and administrative expenses	**184**	188

18 LEASES

(a) Amounts recognized in the statements of financial position

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

	As at December 31, 2023 RMB'000	2022 RMB'000
Right-of-use assets		
– Buildings	**11,871**	7,713
– Motor vehicles	**1,693**	2,868
	13,564	10,581
Lease liabilities		
– Current	**(6,971)**	(2,254)
– Non-current	**(6,484)**	(5,841)
	(13,455)	(8,095)

(b) Right-of-use assets

	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000
As at January 1, 2022	9,451	2,770	12,221
Additions	3,658	1,122	4,780
Depreciation charge	(4,234)	(1,087)	(5,321)
Disposals	(1,174)	(21)	(1,195)
Currency translation differences	12	84	96
As at December 31, 2022	7,713	2,868	10,581
As at January 1, 2023	**7,713**	**2,868**	**10,581**
Additions	**10,122**	**–**	**10,122**
Depreciation charge	**(5,938)**	**(1,020)**	**(6,958)**
Disposals	**–**	**(137)**	**(137)**
Currency translation differences	**(26)**	**(18)**	**(44)**
As at December 31, 2023	**11,871**	**1,693**	**13,564**

18 LEASES (continued)

(c) Amounts recognized in profit or loss

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Buildings	**5,938**	4,234
– Motor vehicles	**1,020**	1,087
Interest expense (included in finance costs) (Note 12)	**620**	389
Expense relating to short-term low-value leases (Note 8)	**2,558**	2,073

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

(d) Amounts recognized in profit or loss

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cash outflows from operating activities		
– Payments for short-term leases (*)	**2,558**	2,073
Cash outflows from financing activities		
– Payment of principal and interest element of lease liabilities	**5,245**	6,163

* Payments for short-term leases were not shown separately, but included in the line of "(loss)/profit before income tax" in respect of the net cash generated from operations which were presented in Note 35(a) using the indirect method.

(e) Variable lease payments

No variable payment terms are contained in the leases.

(f) 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.

(g) Residual value guarantees

No residual value guarantees are provided in relation to leases.

19 INTANGIBLE ASSETS

	Software RMB'000	Music copyrights RMB'000	Film rights – completed production RMB'000	Total RMB'000
At January 1, 2022				
Cost	106	12,348	30,838	43,292
Accumulated amortization	(95)	(6,516)	(30,838)	(37,449)
Net book amount	11	5,832	–	5,843
Year ended December 31, 2022				
Opening net book amount	11	5,832	–	5,843
Additions	490	–	–	490
Amortization charge	(86)	(1,821)	–	(1,907)
Closing net book amount	415	4,011	–	4,426
At December 31, 2022				
Cost	596	12,348	30,838	43,782
Accumulated amortization	(181)	(8,337)	(30,838)	(39,356)
Net book amount	415	4,011	–	4,426
Year ended December 31, 2023				
Opening net book amount	**415**	**4,011**	**–**	**4,426**
Additions	**773**	**–**	**–**	**773**
Amortization charge	**(222)**	**(613)**	**–**	**(835)**
Currency translation differences	**2**	**–**	**–**	**2**
Closing net book amount	**968**	**3,398**	**–**	**4,366**
At December 31, 2023				
Cost	**1,371**	**7,831**	**–**	**9,202**
Accumulated amortization	**(403)**	**(4,433)**	**–**	**(4,836)**
Net book amount	**968**	**3,398**	**–**	**4,366**

As at December 31, 2023, the Group derecognized the certain music copyright as the license period expired, with the related cost and accumulated amortization of RMB4,517,000.

19 INTANGIBLE ASSETS *(continued)*

Depreciation of the Group's intangible assets has been recognized as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenue	**613**	1,821
General and administrative expenses	**222**	86
	835	1,907

20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**15,078**	39,076
Additions	**8,701**	16,300
Disposals	**–**	(37,236)
Share of losses of investments accounted for using the equity method	**(7,171)**	(3,062)
At the end of the year	**16,608**	15,078

20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

As at December 31, 2023 and 2022, the associates of the Group, which were accounted for using equity method, were as follows:

Company Name	Date of Incorporation	Principal activities and place of operation	Registered capital	Percentage of ownership interest attributable to the Group As at December 31, 2023	2022
Zhejiang Shengtenghui Brand Management Co., Ltd. (浙江盛騰輝品牌管理有限公司, "**Zhejiang Shengtenghui**")	November 19, 2018	The PRC; Business management and marketing	RMB11,660,000	**20.00%**	20.00%
Starsugar (Beijing) Technology Co., Ltd. (思蓮抒格（北京）科技有限公司, "**Starsugar**")	January 23, 2019	The PRC; Technical and cultural service	RMB1,111,000	**–**	37.24%
Hangzhou Agile Groups Network Technology Co., Ltd. (杭州小群網絡科技有限公司, "**Hangzhou Agile**")	November 6, 2019	The PRC; Food sales and technical service	RMB5,749,000	**7.72%***	7.72%
Candy (Shanghai) Cosmetics Co., Ltd. (糖果（上海）化妝品有限公司, "**Candy Cosmetics**")	May 21, 2020	The PRC; Cosmetic sales and biotechnical service	RMB11,696,000	**10.00%***	10.00%
Beijing Wuyin Digital Technology Co., Ltd. (北京吾音數字科技有限公司, "**Wuyin Digital**")	June 30, 2022	The PRC; Technology promotion and application service	RMB15,000,000	**20.00%**	20.00%
Hangzhou Xiaoguoyuan Network Information Technology Co., Ltd. (杭州小果元網絡信息技術有限公司, "**Xiaoguoyuan**")	April 26, 2022	The PRC; Software and information technology services	RMB12,500,000	**37.61%**	20.00%
Guangxi Huihua Food Technology Co., Ltd. (廣西惠華食品科技股份有限公司, "**Huihua**")	May 21, 2020	The PRC; Food sales and technical service	RMB10,000,000	**8.00%***	8.00%
Beijing Runxihe Biotechnology Co., Ltd. (北京潤熙禾生物科技有限公司)	January 19, 2023	The PRC; Biotechnology product technology research and development, cosmetics retail, medical equipment sales	RMB20,000,000	**50.00%**	–
Beijing Leyu Intelligent Technology Co., Ltd. (北京樂嶼智能科技有限公司)	May 29, 2023	The PRC; Artificial intelligence basic software development	RMB3,000,000	**50.00%**	–

20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The Group determined that it does not have controlling interest in above investees, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There is no contingent liabilities relating to the Group's interest in the associates.

* The Group holds less than 20% of the ownership interest of the entity, however the Group has significant influence in the entity as the Group has the right to appoint director to the board of the entity.

Each individual associate does not have a significant impact on the Group's results of operations and financial position.

21 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Trade receivables (Note 24)	**95,687**	129,940
Term deposits (Note 27)	**95,453**	–
Prepayments and other receivables (excluding prepayments and other tax recoverables) (Note 25)	**10,586**	9,024
Investments measured at amortized cost (Note 26)	**300,754**	87,280
Restricted cash (Note 27)	**12,300**	23,900
Cash and cash equivalents (Note 27)	**613,371**	528,660
	1,128,151	778,804
Financial assets at fair value through profit or loss (Note 22)	**230,505**	335,811
	1,358,656	1,114,615
Financial liabilities		
Trade payables (Note 32)	**149,603**	190,619
Other payables and accruals (excluding accrued payroll and employee benefit expenses, VAT and surcharges payable)	**17,879**	16,868
Lease liabilities (Note 18)	**13,455**	8,095
Borrowings (Note 31)	**266,167**	66,276
	447,104	281,858
Financial liabilities at fair value through profit or loss (Note 34)	**–**	903,848
	447,104	1,185,706

The Group's exposure to various risks associated with the financial instruments is discussed in Note 4. The maximum exposure to credit risk at the end of each reporting year is the carrying amount of each class of financial assets mentioned above.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Current portion		
Investments in wealth management products (a)	**107,000**	290,265
Non-current portion		
Investments in unlisted funds (b)	**68,418**	–
Investments in unlisted entities (c)	**40,157**	30,831
Investment in a listed entity (d)	**14,930**	14,715
	123,505	45,546
	230,505	335,811

(a) Investments in wealth management products

Movement of investments in wealth management products is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**290,265**	446,265
Additions	**70,000**	741,000
Disposals	**(257,571)**	(909,949)
Fair value changes (Note 10)	**4,306**	12,949
At the end of the year	**107,000**	290,265

In 2023, the Group invested in structure deposits with guaranteed principal and floating return at total cash consideration of RMB70,000,000. These structure deposits were matured in 2023.

As at December 31, 2022 and 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.

None of the aforesaid individual investments exceeds a value of 5% or more of the Group's total assets as at December 31, 2023.

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

(b) Investments in unlisted funds

Movement of investments in unlisted funds is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Additions	**64,581**	–
Fair value changes (Note 10)	**3,487**	–
Currency translation differences	**350**	–
At the end of the year	**68,418**	–

During the year ended December 31, 2023, the Group's additions of investments in unlisted funds included:

(i) Subscription and purchase of certain non-voting redeemable participant shares in the segregated portfolio of a fund at a cash consideration of approximately RMB61,581,000. Such investment is principal guaranteed with an annualized target return of 8% per annum; and

(ii) Investment in a limited partnership without significant influence at a cash consideration of RMB3,000,000.

(c) Investments in unlisted entities

Movement of investments in unlisted entities is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**30,831**	2,800
Additions	**–**	27,419
Fair value changes (Note 10)	**10,500**	–
Disposals	**–**	(800)
Currency translation differences	**(1,174)**	1,412
At the end of the year	**40,157**	30,831

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

(d) Investment in a listed entity

Movement of investment in a listed equity security is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**14,715**	–
Additions	**–**	11,999
Fair value changes (Note 10)	**215**	2,716
At the end of the year	**14,930**	14,715

23 INVENTORIES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Artist-related merchandises and other materials	**5,026**	1,522

No write-downs of inventories to net realizable value were charged to the consolidated statements of comprehensive income during the years ended December 31, 2023 and 2022.

24 TRADE RECEIVABLES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**126,052**	152,754
Less: allowance for impairment (Note 4.1)	**(30,365)**	(22,814)
Trade receivables – net	**95,687**	129,940

24 TRADE RECEIVABLES *(continued)*

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	**77,102**	76,307
3 to 6 months	**9,381**	28,559
6 months to 1 year	**15,656**	27,948
1 to 2 years	**5,362**	8,345
2 to 3 years	**6,957**	1,200
Over 3 years	**11,594**	10,395
	126,052	152,754

25 PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Deferred listing expenses	**–**	6,764
Prepayment for acquisitions of a property (a)	**480,011**	–
Other prepayments (b)	**39,055**	37,825
Prepayments	**519,066**	44,589
Loans to third parties (c)	**3,926**	3,652
Rental and other deposits	**4,576**	6,060
Other tax recoverables	**5,286**	9,858
Others	**2,471**	68
	16,259	19,638
Less: allowance for impairment (Note 4.1)	**(387)**	(756)
Other receivables – net	**15,872**	18,882
Total prepayments and other receivables	**534,938**	63,471
Less: Non-current deposits and prepayments	**(517,604)**	(35,717)
Current portion	**17,334**	27,754

25 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(a) The balance represented the prepayment for a property located in Beijing to be acquired by the Group. The total consideration for the property is RMB480,000,000, which was funded by a combination of bank borrowings of RMB200,000,000 (Note 31(a)) and the Group's internal resources of approximately RMB280,000,000. The property will be used to provide trainees and managed artists with customized training facilities. Details of the transaction are disclosed in the circular of major transaction in relation to acquisition of property dated August 22, 2023.

(b) As at December 31, 2023, other prepayments primarily represented prepayments for promotion services.

(c) As at December 31, 2023 and 2022, loans to third parties are unsecured and repayable on demand.

26 INVESTMENTS MEASURED AT AMORTIZED COST

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Investments in debt instruments	**304,315**	89,327
Less: allowance for impairment (Note 4.1)	**(3,561)**	(2,047)
Investments in debt instruments – net	**300,754**	87,280

Movement of investments measured at amortized cost is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**87,280**	–
Additions	**388,371**	86,269
Disposals	**(190,130)**	–
Interest income	**14,325**	–
Currency translation differences	**2,422**	3,058
Impairment provision	**(1,514)**	(2,047)
At the end of the year	**300,754**	87,280

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, amounting to HKD431,000,000 (equivalent to approximately RMB388,371,000) in total. These debt instruments carried an interest rate of 5.5% or 6% per annum and were due for repayment within one year. Given the evolving business environment, the Group redeemed debt instruments of HKD111,000,000 (equivalent to approximately RMB100,021,000) within 2023; and in the subsequent period, the Group redeemed additional debt instruments of HKD220,000,000 (equivalent to approximately RMB199,555,000) and received corresponding interest payments from these companies. Management anticipates that the remaining debt instruments of HKD100,000,000 (equivalent to approximately RMB90,709,000) will be collected by no later than May 2024.

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.

26 INVESTMENTS MEASURED AT AMORTIZED COST *(continued)*

In 2022, the Group invested in an unsecured bond from a public company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The bond bore interest at 6% per annum and matured on October 24, 2023. The debt instrument has been fully redeemed in March 2023.

27 CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

	As at December 31,	
	2023 **RMB'000**	2022 RMB'000
Cash at bank and on hand (a)	**721,124**	552,560
Less:		
Term deposit with original maturity of more than three months	**(95,453)**	–
Restricted cash (b)	**(12,300)**	(23,900)
Cash and cash equivalents	**613,371**	528,660
Maximum exposure to credit risk	**721,124**	552,560

(a) Cash at bank and on hand was denominated in the following currencies:

	As at December 31,	
	2023 **RMB'000**	2022 RMB'000
USD	**314,478**	25,507
RMB	**290,275**	516,820
HKD	**101,621**	79
KRW	**14,018**	10,153
JPY	**732**	–
EUR	**–**	1
	721,124	552,560

(b) Restricted cash:

As at December 31, 2023, the balance represented the certificate of deposits used as collateral for RMB bank borrowings (Note 31).

As at December 31, 2022, the balance represented cash in a specific bank account that has been restricted due to asset preservation measures resulting from a contract dispute. This fund was no longer restricted following the successful resolution and settlement of the contract dispute.

28 SHARE CAPITAL AND TREASURY SHARES

As at December 31, 2022 and 2023, the authorized share capital of the Company comprised of:

	Number of ordinary shares	Nominal value of ordinary shares USD
As at January 1, 2022 and December 31, 2022	500,000,000	50,000
As at January 1, 2023	500,000,000	50,000
Effect of capitalization issue	1,500,000,000	150,000
As at December 31, 2023	2,000,000,000	200,000

Upon completion of the initial public offering ("**IPO**"),each of the authorized and issued preferred shares be and is hereby converted into share of a par value of US$0.0001 each on an one-to-one basis by redesignation and reclassification, such that after the reclassification and redesignation, the authorized share capital of the Company shall become US$200,000 divided into 2,000,000,000 shares with a par value of US$0.0001 each.

	Number of ordinary shares issued	Nominal value USD	Share capital RMB'000	Treasury shares RMB'000	Total RMB'000
As at January 1, 2022	73,053,365	7,305	46	–	46
Issuance of ordinary shares for Reorganization	1,100,000	110	–	–	–
Cancellation of ordinary shares for Reorganization	(1,100,000)	(110)	–	–	–
Issuance of ordinary shares for restricted share unit scheme	4,247,500	425	4	–	4
Sub-total	77,300,865	7,730	50	–	50
Less: Treasury shares for restricted share unit scheme (d)	(5,790,000)	(579)	–	(4)	(4)
As at December 31, 2022	71,510,865	7,151	50	(4)	46
As at January 1, 2023	**77,300,865**	**7,730**	**50**	**–**	**50**
Issuance of ordinary shares upon listing (a)	**121,881,000**	**12,188**	**81**	**–**	**81**
Conversion of convertible preferred shares into ordinary shares (b)	**249,300,000**	**24,930**	**169**	**–**	**169**
Capitalization issue (c)	**423,399,135**	**42,340**	**–**	**–**	**–**
Sub-total	**871,881,000**	**87,188**	**300**	**–**	**300**
Less: Treasury shares for restricted share unit scheme (d)	**(28,125,000)**	**(2,813)**	**–**	**(3)**	**(3)**
As at December 31, 2023	**843,756,000**	**84,375**	**300**	**(3)**	**297**

28 SHARE CAPITAL AND TREASURY SHARES *(continued)*

* The balance was rounded to the nearest thousand.

(a) Upon completion of the IPO, the Group issued 121,881,000 new shares (including shares issued on exercise of over-allotment option) at par value of USD 0.0001 per share for cash consideration of HKD4.08 each, and raised gross proceeds of approximately HKD461,716,000 (equivalent to approximately RMB420,755,000). After netting off these gross proceeds with share issuance costs, the respective share capital amount was approximately RMB81,000 and share premium arising from the issuance was approximately RMB398,252,000.

(b) On January 19, 2023, all of the 38,489,000 convertible preferred shares were converted into 249,300,000 ordinary shares after taking into account of the effect of the capitalization issue. The fair value of the convertible preferred Shares immediately before the conversion was approximately RMB1,020,534,000, and the conversion resulted in the increase in share capital of approximately RMB169,000 and share premium of approximately RMB1,020,365,000.

(c) The Company is authorized to allot and issue a total of 423,399,135 shares after taking into account of the effect of conversion of convertible preferred shares into ordinary shares. These shares credited as fully paid at par on Listing Date (i.e. IPO date) to the shareholders whose names appear on the register of members of our Company in the Cayman Islands at the close of business on the business day preceding the Listing Date, in proportion to their existing respective shareholdings by capitalizing the relevant sum standing to the credit of the share premium account of the Company.

(d) In December 2021 and March 2022, an aggregated number of 5,790,000 ordinary shares were issued by the Company to two trusts controlled by the Company for the Company's restricted share units scheme (Note 39). Effected by the capitalization issue undertaken in January 2023, these ordinary shares held by the trusts were subdivided to 37,500,000 ordinary shares. During the year ended December 31,2023, 9,375,000 shares has been vested and transferred (Note 39).

29 SHARE PREMIUM AND RESERVES

	Other reserves RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Total Reserves RMB'000	Share premium RMB'000
As at January 1, 2022	(495,767)	40,960	(7,134)	2,068	(459,873)	–
Reorganization – exchange redemption liabilities with convertible preferred shares (Note 34)	(1,869,521)	–	–	–	(1,869,521)	–
Reclassification of combined capital to share capital and other reserves upon the completion of Reorganization	110,000	–	–	–	110,000	–
Dividends settled to the ordinary shareholders of the Company (Note 14)	(202,053)	–	–	–	(202,053)	–
Dividends paid to the ordinary shareholders of the Company (Note 14)	(57,898)	–	–	–	(57,898)	–
Deemed distributions to the shareholders of the Company	565	–	–	–	565	–
Equity settled share-based payments (Note 39)	–	–	–	91,113	91,113	–
Currency translation differences	–	–	(120,000)	–	(120,000)	–
Acquisition of non-controlling interests of a subsidiary	(326)	–	–	–	(326)	–
As at December 31, 2022	(2,515,000)	40,960	(127,134)	93,181	(2,507,993)	–

29 SHARE PREMIUM AND RESERVES *(continued)*

	Other reserves RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Total Reserves RMB'000	Share premium RMB'000
As at January 1, 2023	(2,515,000)	40,960	(127,134)	93,181	(2,507,993)	–
Issuance of shares in connection with vesting of restricted share units	–	–	–	–	–	114
Issuance of ordinary shares by the Company	–	–	–	–	–	398,252
Conversion of convertible preferred shares into ordinary shares	–	–	–	–	–	1,020,365
Appropriation for statutory surplus reserve	–	4	–	–	4	–
Equity settled share-based payments (Note 39)	–	–	–	92,187	92,187	–
Currency translation differences	–	–	70,875	–	70,875	–
As at December 31, 2023	(2,515,000)	40,964	(56,259)	185,368	(2,344,927)	1,418,731

(a) Appropriation for statutory surplus reserve

In accordance with the PRC Company Law and the articles of association, the PRC subsidiaries of the Group are required to appropriate 10% of its profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalized as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalisation shall not be less than 25% of its capital.

30 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31, 2023 RMB'000	2022 RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**1,450**	2,080
– Deferred income tax assets to be recovered within 12 months	**6,522**	4,572
Set-off of deferred income tax liabilities pursuant to set-off provision	**(3,279)**	(2,404)
Net deferred income tax assets	**4,693**	4,248
Deferred income tax liabilities:		
– Deferred income tax liability to be recovered after more than 12 months	**1,957**	390
– Deferred income tax liability to be recovered within 12 months	**3,059**	2,014
Set-off of deferred income tax assets pursuant to set-off provision	**(3,279)**	(2,404)
Net deferred income tax liabilities	**1,737**	–

The movement in deferred income tax assets and liabilities during the years ended December 31, 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at January 1, 2022 RMB'000	Credited/ (charged) to profit or loss RMB'000	Currency translation differences RMB'000	As at December 31, 2022 RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Impairment provisions	2,689	1,088	9	3,786
– Lease liabilities	2,637	(630)	73	2,080
– Others	494	260	32	786
	5,820	718	114	6,652
Deferred income tax liabilities				
– Right-of-use assets	2,717	(394)	81	2,404

30 DEFERRED INCOME TAX *(continued)*

	As at January 1, 2023 RMB'000	Credited/ (charged) to profit or loss RMB'000	Currency translation differences RMB'000	As at December 31, 2023 RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Impairment provisions	**3,786**	**1,081**	**–**	**4,867**
– Lease liabilities	**2,080**	**1,039**	**(14)**	**3,105**
– Others	**786**	**(781)**	**(5)**	**–**
	6,652	**1,339**	**(19)**	**7,972**
Deferred income tax liabilities				
– Fair value changes	**–**	**1,737**	**–**	**1,737**
– Right-of-use assets	**2,404**	**905**	**(30)**	**3,279**
	2,404	**2,642**	**(30)**	**5,016**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting years. The Group did not recognize deferred income tax assets in respect of tax losses amounting to approximately RMB39,597,000 and RMB3,707,000 as at December 31, 2023 and 2022 in certain Group's subsidiaries, which can be carried forward to offset against future taxable income, all of which will expire within 10 years.

The PRC subsidiaries of the Group have undistributed earnings of approximately RMB850,108,000 and RMB825,810,000 as at December 31, 2023 and 2022 respectively, which if paid out as dividends, would be subject to tax in the hands of the recipient. Assessable temporary differences exist, but no deferred tax liabilities have been recognized as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

31 BORROWINGS

	As at December 31,	
	2023 **RMB'000**	2022 RMB'000
Long-term RMB bank borrowings, secured (a)	**200,000**	–
Long-term KRW bank borrowings, secured (b)	**66,167**	66,276
	266,167	66,276

(a) As at December 31, 2023, the Group's RMB bank borrowings was secured by the property to be acquired (Note 25(a)), as well as deposit of RMB12,300,000. These bank borrowings carried a fixed interest rate of 3.6% per annum, which will be repayable on December 31, 2033.

(b) As at December 31, 2023 and 2022, the Group's KRW bank borrowings was secured by certain assets, including property, plant and equipment with carrying amount of RMB89,726,000 and investment properties with carrying amount of RMB14,353,000. These bank borrowings carried a floating interest rate ranging from 2.76% to 5.23% per annum, which will be repayable on August 29, 2025.

32 TRADE PAYABLES

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

	As at December 31,	
	2023 **RMB'000**	2022 RMB'000
Up to 3 months	**89,212**	99,287
3 to 6 months	**45,094**	86,535
6 months to 1 year	**4,300**	2,399
Over 1 year	**10,997**	2,398
	149,603	190,619

33 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2023 **RMB'000**	2022 RMB'000
Accrual for payroll, employee benefit and other expenses	**23,310**	24,887
Payables in respect of sharing in the receipts from movies and variety programs	**8,703**	8,703
VAT and surcharges payable	**11,079**	7,941
Listing expenses payable and accrual	**–**	6,879
Payables for investment accounted for using the equity method	**1,500**	–
Others	**7,676**	1,286
	52,268	49,696

34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On January 28, 2022, as part of the Group's Reorganization to reflect the onshore shareholding structure, the Company entered into a preferred share subscription agreement with the offshore affiliates of CMC, Quantum Jump and Dongyang Alibaba Pictures pursuant to which 16,500,135 Series A-1 Preferred Shares, 5,489,000 Series A-2 Preferred Shares and 16,500,000 Series A-3 Preferred Shares, respectively, at an issuance price of US$1.36, US$2.65, and US$3.59 per share, was subscribed for a total consideration of US$85,947,297 (approximately RMB544,751,000), which approximated the consideration paid by the Group to these institutional shareholders to acquire the shares (with preferred rights as explained in Note 34) of Yuehua Limited and settled the amounts due from these institutional shareholders as part of the Reorganization.

On the same date, the aforementioned Series A-1, A-2 and A-3 Preferred Shares were issued and recognized at their initial fair value of RMB2,484,403,000, while the redemption liabilities with then carrying amount of RMB614,882,000 was derecognized, and the differences amounting to RMB1,869,521,000 was recognized in equity.

Upon the Listing of the Company on January 19, 2023, the convertible preferred shares were mandatorily and automatically converted to 249,300,000 shares of the Company at the final offer price of HKD4.08 per share.

The key terms of the convertible preferred shares mirror those preferential rights described in Note 34, including but not limited to liquidation preferences and redemption rights. The additional term is the conversion right of which the key terms are summarised as below:

- **Conversion rights**

  Each Preferred Share may, at the option of the holder there of, be converted at any time after the date of issuance of such Preferred Shares into Ordinary Shares based on the applicable then-effective Conversion Price at an initial conversion ratio of 1:1 subject to: (i) adjustment for subdivision or consolidation of shares; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; (iv) adjustments for reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions; (v) adjustments for dilutive issuance (issuance of new securities below the conversion price).

  Each Series A-1, A-2 and A-3 Preferred Share shall automatically be converted into Ordinary Share based on the applicable then-effective Series A-1, A-2 and A-3 conversion price for such Series A-1, A-2 and A-3 Preferred Share in effect at the time immediately upon the closing of the IPO.

34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

The movements of the convertible preferred shares are set out as below:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**903,848**	–
Issuance of Series A-1, A-2 and A-3 Preferred Shares	**–**	2,484,403
Fair value changes	**160,524**	(1,581,992)
Conversion of convertible preferred shares into ordinary shares	**(1,020,534)**	–
Dividends paid to the holders of Series A-1, A-2 and A-3 Preferred Shares	**–**	(139,369)
Currency translation differences	**(43,838)**	140,806
At the end of the year	**–**	903,848

The statements of financial position show the following amounts relating to convertible preferred shares:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Convertible preferred shares		
– Current	**–**	128,884
– Non-current	**–**	774,964
	–	903,848

The current or non-current classification of these convertible preferred shares as at December 31, 2022 were based on the contractual redemption dates as set out in the share subscription agreement entered into between the Group and the shareholders.

The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the Series A-1, A-2, A-3 Preferred Shares. Key assumptions are set as below:

Discount rate	12.50%
Risk-free interest rate	4.46%
Discount for lack of marketability	2.50%
Expected volatility	39.42%

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A-1, A-2, A-3 Preferred Shares on each appraisal date.

35 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
(Loss)/profit before income tax	(105,070)	1,791,432
Adjustments for:		
– Share of losses of investments accounted for using the equity method	7,171	3,062
– Depreciation of property, plant and equipment	7,682	6,848
– Depreciation of investment properties	184	188
– Amortization of intangible assets	835	1,907
– Depreciation of right-of-use assets	6,958	5,321
– Net gains on disposal of right-of-use assets	–	(21)
– Net (gains)/losses on disposal of property, plant and equipment	(44)	218
– Gain on disposal of an associate	(2,171)	–
– Fair value gains on financial assets at fair value through profit or loss	(18,508)	(15,665)
– Interest income on bank deposits and loans to third parties	(21,186)	(6,597)
– Interest income on financial assets at amortized cost	(14,325)	–
– Interest expenses on lease liabilities	620	389
– Interest expenses on redemption liabilities	–	3,406
– Interest expenses on bank borrowings	3,377	2,511
– Net impairment losses on financial assets	8,678	7,715
– Equity settled share-based payments	92,187	91,113
– Fair value changes of convertible preferred shares	160,524	(1,581,992)
Operating cash flows before changes in working capital	126,912	309,835
Changes in working capital:		
– Inventories	(3,504)	(390)
– Trade receivables	26,724	(27,996)
– Deposits, prepayments and other receivables	4,390	(34,989)
– Contract liabilities	37,398	(77,591)
– Trade payables	(41,016)	(22,785)
– Other payables and accruals	1,072	(7,111)
– Restricted cash	11,600	(23,900)
Cash generated from operations	163,576	115,073

(b) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions save as those disclosed in Note 35(c) during the years ended December 31, 2023 and 2022.

35 CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities generated from financing activities

	Lease liabilities RMB'000	Bank borrowings RMB'000	Dividend payable RMB'000	Redemption liabilities RMB'000	Convertible preferred shares RMB'000
As at January 1, 2022	10,209	64,322	–	611,476	–
Interest expenses on lease liabilities	389	–	–	–	–
Interest expenses on redemption liabilities	–	–	–	3,406	–
Dividend declared	–	–	259,951	–	–
Cash flows					
– Dividend paid	–	–	(57,898)	–	(139,369)
– Payment for lease liabilities – principal and interest	(6,163)	–	–	–	–
Other non-cash movements					
– Additions of lease liabilities	4,780	–	–	–	–
– Disposal of lease liabilities	(1,216)	–	–	–	–
– Off-setting of dividend payable	–	–	(202,053)	–	–
– Reorganization- derecognition of redemption liabilities	–	–	–	(614,882)	–
– Reorganization- issuance of convertible preferred shares (Note 34)	–	–	–	–	2,484,403
– Fair value changes of convertible preferred shares (Note 34)	–	–	–	–	(1,581,992)
– Currency translation difference	96	1,954	–	–	140,806
As at December 31, 2022	8,095	66,276	–	–	903,848
As at January 1, 2023	**8,095**	**66,276**	**–**	**–**	**903,848**
Interest expenses on lease liabilities	**620**	**–**	**–**	**–**	**–**
Cash flows					
– Proceed from borrowing	**–**	**200,000**	**–**	**–**	**–**
– Payment for lease liabilities-principal and interest	**(5,245)**	**–**	**–**	**–**	**–**
Other non-cash movements					
– Additions of lease liabilities	**10,060**	**–**	**–**	**–**	**–**
– Disposal of lease liabilities	**(25)**	**–**	**–**	**–**	**–**
– Fair value changes of convertible preferred shares (Note 34)	**–**	**–**	**–**	**–**	**160,524**
– Conversion of convertible preferred shares into ordinary shares	**–**	**–**	**–**	**–**	**(1,020,534)**
– Currency translation difference	**(50)**	**(109)**	**–**	**–**	**(43,838)**
As at December 31, 2023	**13,455**	**266,167**	**–**	**–**	**–**

36 COMMITMENTS

(a) Capital commitments

The Group mainly has capital commitments with respect to property, plant and equipment, intangible assets and investments accounted for using the equity method. Significant capital expenditure contracted for as at December 31, 2023 and 2022, but not recognized as liabilities were as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Leasehold improvements	**288**	169

37 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 Controlling Shareholder is disclosed in Note 1.

Save as disclosed elsewhere in Note 11, major related parties that had transactions with the Group during the years ended December 31, 2023 and 2022 were as follows:

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
Ms. DU	Controlling Shareholder
Mr. SUN Yiding	Director of the Company
Mr. LEE Sang Kyu	Director of a subsidiary of the Group
Ms. YAO Lu	Director of the Company to represent CMC
Ms. ZHAO Wenjie	Director of the Company to represent Quantum Jump
Mr. MENG Jun	Director of the Company to represent Dongyang Alibaba Pictures
Mr. MENG Qingguang	Director of the Company to represent Dongyang Alibaba Pictures
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

37 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

Name of the related parties	Relationship with the Group
Nice Future (Beijing) Culture Communication Co., Ltd. (尼斯未來（北京）文化傳播有限公司, "**Nice Future**")	A company owned as to 10.0% by Tianjin Yihua, 30.0% by Mr. LIU Jiachao, an independent third party and 60.0% by Mr. DU Jiang, a family member of Ms. Du
Beijing Wuyin Digital Technology Co., Ltd. (北京吾音數字科技有限公司, "**Wuyin Digital**")	An associate of the Group owned as to 20.0% by Tianjin Yihua
Beijing Leying Huajin Culture Technology Co., Ltd. (北京樂影華錦文化科技有限公司, "**Leying Huajin**")	An associate of Horgos Yuehua owned as 100.0%

In the opinion of the Company's directors, the following related party transactions were carried out at terms negotiated and mutually agreed between the Group and the respective related parties:

(a) Transactions with related parties

		As at December 31,	
		2023	2022
		RMB'000	RMB'000
(i)	Revenue:		
	APG	**25,027**	49,271
	CMC Group	**7,614**	7,245
	Quantum Jump's fellow subsidiaries	**13,224**	32,850
	Wuyin Digital	**16**	164
	Leying Huajin	**19**	–
		45,900	89,530
(ii)	Cost of revenue:		
	APG	**1,815**	–
	Quantum Jump's fellow subsidiaries	**–**	627
		1,815	627
(iii)	Finance income:		
	Nice Future	**–**	41

37 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Trade-nature		
(i) Trade receivables:		
APG	**–**	165
CMC Group	**–**	–
Quantum Jump's fellow subsidiaries	**6,771**	17,264
	6,771	17,429
(ii) Contract liabilities:		
APG	**–**	5,346
Quantum Jump's fellow subsidiaries	**–**	71
	–	5,417
(iii) Other payables:		
APG	**–**	70
Quantum Jump's fellow subsidiaries	**–**	620
	–	690
(iv) Trade payables:		
APG	**1,729**	–

(c) Key management personnel compensation

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**7,122**	6,428
Pension costs – defined contribution plans	**266**	223
Other social security costs, housing benefits and other employee benefits	**365**	331
Equity settled share-based payments	**13,418**	15,310
	21,171	22,292

38 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries	38(a)	**4,737,965**	2,775,929
Financial assets at fair value through profit or loss		**85,074**	17,831
		4,823,039	2,793,760
Current assets			
Cash and cash equivalents	38(b)	**332,274**	256,356
Amount due from subsidiaries		**13,195**	49
Term deposits	38(b)	**95,453**	–
Investments measured at amortized cost	26	**300,754**	87,280
		741,676	343,685
Total assets		**5,564,715**	3,137,445
EQUITY			
Share capital	28	**300**	50
Share premium	38(c)	**1,418,731**	–
Treasury shares	28	**(3)**	(4)
Reserves	38(c)	**5,827,436**	5,624,215
Accumulated losses	38(c)	**(1,682,945)**	(3,390,694)
Total equity		**5,563,519**	2,233,567
LIABILITIES			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	34	**–**	774,964
Current liabilities			
Financial liabilities at fair value through profit or loss	34	**–**	128,884
Trade payables		**41**	30
Amount due to subsidiaries		**1,155**	–
		1,196	128,914
Total liabilities		**1,196**	903,878
Total equity and liabilities		**5,564,715**	3,137,445

* The balance was rounded to the nearest thousand.

The financial position of the Company was approved for issue by the Board of Directors on March 27, 2024 and were signed on its behalf.

Du Hua
Executive Director

Zhang Wensheng
Chief Financial Officer

38 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) Investment in a subsidiary

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Investment in a subsidiary	**7,342,391**	7,342,391
Deemed investments arising from equity settled share-based payments (i)	**186,897**	93,181
Less: allowance for impairment of investment in a subsidiary (ii)	**(2,791,323)**	(4,659,643)
	4,737,965	2,775,929

(i) The amount represents equity settled share-based payments arising from the grant of restricted share units ("**RSUs**") of the Company to eligible individuals of the subsidiaries (Note 39) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries pursuant to the accounting policies as set out in Note 2.18.

(ii) As at December 31, 2023, the Company recognized impairment of approximately RMB2,791,323,000 on investment in subsidiaries according to the valuation on the recoverable amount of the investment in subsidiaries. The recoverable amount was determined based on the higher of fair value less cost of disposal and value-in-use calculations which use cash flow projections based on financial budgets.

(b) Cash and cash equivalents and term deposits

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Cash at bank	**427,727**	256,356

Cash at bank was denominated in the following currencies:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
RMB	**13,406**	241,398
USD	**312,740**	14,937
HKD	**101,581**	21
	427,727	256,356

38 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(c) Share premium, reserve and accumulated losses of the Company

	Accumulated Losses RMB'000	Exchange reserve RMB'000	Share premium and other reserves RMB'000	Share-based compensation reserve RMB'000	Total reserves RMB'000
Balance at January 1, 2022	(35)	–	–	2,068	2,033
Equity settled share-based payments	–	–	–	91,113	91,113
Loss and comprehensive loss for the year	(3,390,659)	–	–	–	(3,390,659)
Reorganization – issuance of convertible preferred shares by the Company and recognition of the investment in a subsidiary	–	–	5,402,739	–	5,402,739
Reorganization – capital contribution from ordinary shareholders	–	–	202,053	–	202,053
Dividends to the shareholders of the Company	–	–	(259,951)	–	(259,951)
Currency translation differences	–	186,193	–	–	186,193
Balance at December 31, 2022	(3,390,694)	186,193	5,344,841	93,181	2,233,521
Balance at January 1, 2023	**(3,390,694)**	**186,193**	**5,344,841**	**93,181**	**2,233,521**
Equity settled share-based payments	**–**	**–**	**–**	**92,187**	**92,187**
Profit and comprehensive income for the year	**1,707,749**	**–**	**–**	**–**	**1,707,749**
Conversion of convertible preferred shares into ordinary shares	**–**	**–**	**1,020,365**	**–**	**1,020,365**
Issuance of ordinary shares by the Company	**–**	**–**	**398,252**	**–**	**398,252**
Issuance of shares in connection with vesting of restricted share units	**–**	**–**	**114**	**–**	**114**
Currency translation differences	**–**	**111,034**	**–**	**–**	**111,034**
Balance at December 31, 2023	**(1,682,945)**	**297,227**	**6,763,572**	**185,368**	**5,563,222**

39 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.

Details of RSUs are as follows:

Grant date	Number of RSUs	Vesting condition
2021/12/10	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
2022/3/4	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
2022/12/20	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

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

39 EQUITY SETTLED SHARE-BASED PAYMENTS *(continued)*

2021 Share Incentive Plan of the Company (the "2021 Share Incentive Plan") *(continued)*

The share-based compensation expenses recognized during the years ended December 31, 2023 and 2022 were summarized in the following table:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Share-based compensation expenses for eligible individuals	**92,187**	91,113

Expected retention rate

The Group has to estimate the expected percentage of Grantees that will stay within the Group at the end of the vesting periods (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at December 31, 2023 and 2022, the Expected Retention Rate was assessed to be close to 100%.

Movements in the number of RSUs granted and the respective weighted average grant date fair value per RSU are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU (RMB)
As at January 1, 2023	**5,790,000**	**46.85**
Vested and transferred	**(1,447,500)**	**46.85**
Outstanding as at December 31, 2023	**4,342,500**	**46.85**
As at January 1, 2022	**1,542,500**	**49.72**
Granted on March 4, 2022	**3,594,750**	**50.18**
Granted on December 20, 2022	**652,750**	**21.73**
Outstanding as at December 31, 2022	**5,790,000**	**46.85**

The fair value of each RSUs was calculated based on the market price of the Company's shares at the respective grant date.

39 EQUITY SETTLED SHARE-BASED PAYMENTS *(continued)*

2021 Share Incentive Plan of the Company (the "2021 Share Incentive Plan") *(continued)*

The Group applied the discounted cash flow method to determine the underlying equity value of the Company on the date of grant. The fair value of each RSU at the grant date is determined with reference to the fair value of the underlying ordinary shares on the date of grant. Key assumptions are set as below:

	As at December 10, 2021 RMB'000	As at March 4, 2022 RMB'000	As at December 20, 2022 RMB'000
Discount rate	12.00%	12.00%	12.50%
Discount for lack of control	25.10%	24.00%	24.00%

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of RSUs on the grant date.

40 SUBSIDIARIES

The Company's major subsidiaries as at December 31, 2023 and 2022 are set out below. Unless otherwise stated, they have capital consisting solely of ordinary shares that are held directly by the Group. The place of establishment/incorporation is also their principal place of business.

Name of subsidiary	Place and date of incorporation/ establishment and nature of legal entity	Principal activities and place of operation	Issued and paid in capital/ registered capital	Effective interest held by the Group As at December 31,	
				2023	2022
Yuehua BVI	The BVI; June 22, 2021; limited liability company	Investment holding; The BVI	–/USD 1	**100.00%**	100.00%
Yuehua HK	Hong Kong; July 6, 2021; limited liability company	Investment holding; Hong Kong	–/HKD10,000	**100.00%**	100.00%
Yuehua Investment (天津樂華投資有限公司)	The PRC; September 24, 2021; wholly foreign owned enterprise	Investment holding; The PRC	–/RMB200,000,000	**100.00%**	100.00%
Tianjin Yihua Management Consulting Co., Ltd. ("**Tianjin Yihua**") (天津壹華管理諮詢有限責任公司)	The PRC; February 22, 2019; limited liability company	Investment holding; The PRC	RMB30,000,000/ RMB30,000,000	**100.00%**	100.00%

40 SUBSIDIARIES (continued)

Name of subsidiary	Place and date of incorporation/ establishment and nature of legal entity	Principal activities and place of operation	Issued and paid in capital/ registered capital	Effective interest held by the Group As at December 31, 2023	2022
YUE HUA HONG KONG ENTERTAINMENT COMPANY LIMITED (樂華娛樂香港有限公司)	Hong Kong; January 13, 2015; limited liability company	Pan-entertainment business; Hong Kong	USD77,352/ USD77,352	**100.00%**	100.00%
Tianjin Chufa Culture Technology Co., Ltd. (天津觸發文化科技有限公司)	The PRC; April 17, 2014; limited liability company	Pan-entertainment business; The PRC	RMB1,000,000/ RMB1,000,000	**100.00%**	100.00%
Yuehua Entertainment Korea Co., Ltd. (韓國樂華娛樂股份有限公司)	Korea; August 28, 2014; limited liability company	Training center for artist management; Korea	KRW5,875,000,000/ KRW5,875,000,000	**85.00%**	85.00%
Yuehua Limited	The PRC; July 3, 2009; limited liability company	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB110,000,000/ RMB110,000,000	**100.00%**	100.00%
Tianjin Yuehua Music Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司)	The PRC; August 1, 2011; limited liability company	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB10,000,000/ RMB10,000,000	**100.00%**	100.00%
Tibet Yuehua Culture Communication Co., Ltd. (西藏樂華文化傳播有限公司)	The PRC; December 25, 2011; limited liability company	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB10,000,000/ RMB10,000,000	**100.00%**	100.00%

41 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at December 31, 2023 and 2022.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of our Group for the last five financial years, is set out below:

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	(RMB in thousands, except for percentages)				
Revenues	**755,681**	980,254	1,290,449	922,042	631,436
Cost of revenue	**(580,646)**	(617,168)	(688,490)	(429,060)	(351,932)
Gross profit	**175,035**	363,086	601,959	492,982	279,504
Selling and marketing expenses	**(38,550)**	(37,611)	(34,523)	(30,823)	(23,359)
General and administrative expenses	**(134,214)**	(119,494)	(71,530)	(44,081)	(39,406)
Net impairment losses on financial assets	**(8,678)**	(7,715)	(3,296)	(8,954)	(1,374)
Other income	**22,811**	3,901	18,420	7,303	3,778
Other (losses)/gains, net	**14,707**	10,044	(5,889)	(18,522)	(39,996)
Operating profit	**31,111**	212,211	505,141	397,905	179,147
Finance income	**35,511**	6,597	5,215	3,693	1,222
Finance costs	**(3,997)**	(6,306)	(42,749)	(6,366)	(1,921)
Finance income/(costs), net	**31,514**	291	(37,534)	(2,673)	(699)
Share of losses of investments accounted for using the equity method	**(7,171)**	(3,062)	(6,568)	(2,697)	(9,217)
Fair value changes of convertible preferred shares	**(160,524)**	1,581,992	–	–	–
(Loss)/profit before income tax	**(105,070)**	1,791,432	461,039	392,535	169,231
Income tax expense	**(37,518)**	(66,247)	(125,707)	(100,589)	(49,898)
(Loss)/profit for the year	**(142,588)**	1,725,185	335,332	291,946	119,333
(Loss)/profit attributable to:					
Owners of our Company	**(140,837)**	1,724,470	336,684	291,370	119,023
Non-controlling interests	**(1,751)**	715	(1,352)	576	310
	(142,588)	1,725,185	335,332	291,946	119,333
Non-IFRS measures*:					
Adjusted net profit	**105,218**	266,553	394,571	295,855	119,333
Adjusted net profit margin	**13.9%**	27.2%	30.6%	32.1%	18.9%

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

Assets, Liabilities and Equity/(deficit)	As at December 31,				
	2023	2022	2021	2020	2019
	(RMB in thousands)				
Total assets	**2,044,926**	1,322,271	1,678,897	1,175,178	961,180
Total liabilities	**721,781**	1,439,124	1,359,339	1,188,637	506,149
Total equity/(deficit)	**1,323,145**	(116,853)	319,558	(13,459)	455,031

DEFINITIONS AND GLOSSARY

"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company adopted on December 26, 2022, which became effective on the Listing Date and as amended from time to time
"Audit Committee"	The audit committee of the Board
"Board"	The board of Directors of the Company
"Capitalization Issue"	the issue of 634,210,000 Shares upon the capitalization of the relevant sum standing to the credit of the share premium account of the Company, details of which are set out in "Appendix V – Statutory and General Information – A. Further Information of our Group – 3. Resolutions of our Shareholders" in the Prospectus
"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," "mainland China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"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)
"Hainan Yuehua"	Hainan YueHua Culture Communication Co., Ltd. (海南樂華文化傳播有限公司), a limited liability company established in the PRC on April 30, 2021 and a wholly-owned subsidiary of Yuehua Limited
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	party or parties that, to the best of our Directors' knowledge, information and belief, is or are not a connected person(s) of our Company within the meaning of the Listing Rules

"IP"	intellectual properties such as existing musical works, variety programs, movies, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new musical works, variety programs, drama series or movies
"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
"Macau"	The Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	The nomination committee of the Board
"Over-allotment Option"	has the meaning ascribed to it in the Prospectus
"Prospectus"	the prospectus of the Company published on December 30, 2022
"Remuneration Committee"	The remuneration committee of the Board
"Reporting Period"	the twelve-month period from January 1, 2023 to December 31, 2023
"RMB" or "Renminbi"	the lawful currency of the PRC
"RSU(s)"	a restricted share unit award to be granted to a participant under the Share Incentive Plan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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

"Tianjin Chufa"	Tianjin ChuFa Culture Technology Co., Ltd. (天津觸發文化科技有限公司) (formerly known as Shanghai Chufa Culture Technology Co., Ltd. (上海觸發文化科技有限公司) and Shanghai Chufa Culture Communication Co., Ltd. (上海觸發文化傳播有限公司)), a limited company established in the PRC on April 17, 2014 and a wholly-owned subsidiary of Yuehua Limited
"Tianjin Yihua"	Tianjin Yihua Management Consulting Co., Ltd. (天津壹華管理諮詢有限責任公司), a limited company established in the PRC on February 22, 2019 and a wholly-owned subsidiary of Yuehua Limited
"Tianjin Yuehua"	Tianjin Yuehua Music and Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司), a limited liability company established in the PRC on August 1, 2011 and a wholly-owned subsidiary of Yuehua Limited
"Tibet Yuehua"	Tibet Yuehua Culture Communication Co., Ltd. (西藏樂華文化傳播有限公司), a limited company established in the PRC on December 25, 2011 and a wholly-owned subsidiary of Yuehua Limited
"US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"YUE HUA HONG KONG"	YUE HUA HONG KONG ENTERTAINMENT COMPANY LIMITED (樂華娛樂香港有限公司), a limited company established in Hong Kong on January 13, 2015 and a wholly-owned subsidiary of Yuehua Limited
"Yuehua HK"	YH Entertainment Group (HK) Limited, a limited company established in Hong Kong on July 6, 2021 and an indirect wholly-owned subsidiary of our Company in Hong Kong
"Yuehua Investment"	Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司), a limited liability company established in the PRC on September 24, 2021 and an indirect wholly-owned subsidiary of our Company in the PRC
"Yuehua Korea"	Yuehua Entertainment Korea Co., Ltd., a company incorporated in 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