
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business—Our Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

The table below sets forth the estimated [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] (assuming the [REDACTED] is not exercised):

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document)	HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the high-end of the [REDACTED] range stated in this document)	HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low-end of the [REDACTED] range stated in this document)	HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] after making a [REDACTED])	HK\$[REDACTED] million

We intend to use the [REDACTED] as set forth below (based on the mid-point of the [REDACTED] range stated in this document):

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for continuing to invest in our artist operation. According to Frost & Sullivan, the size of the artist management market in China is expected to grow rapidly from RMB52.3 billion in 2020 to RMB102.5 billion in 2025, at a CAGR of 14.4% between 2020 and 2025. To capture opportunities in the fast-expanding artist management market, we intend to enhance our artist training and operation capabilities by procuring better training facilities and strengthening our faculty for our trainees and managed artists. We also intend to expand the scale of our artist promotion in China.
 - (i) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the purchase and renovation of an artist training center in China, which will be used to provide our trainees and managed artists with customized training facilities and a pleasant training environment.

With the expansion of our business and the growing market demand for professional artists, a stable pipeline of well-trained, talented artists is critical to our business success. To ensure that we can continuously train and promote high-quality artists, we intend to provide our trainees and managed artists with systematic training programs, customized training facilities, and safe and comfortable training conditions. However, few training facilities for rent can meet our requirements and they may incur additional costs as we need to install acoustic panels and other professional equipment. In addition, as a result of the COVID-19 pandemic, we cannot predict when and how the international travel restrictions will be eased or lifted, which prevents us from safely sending our trainees and managed artists to our artist training center overseas.

The purchase of an artist training center in mainland China could substantially cut down our costs arising from international travel and health protection, and enhance the efficiency of our training programs. We intend to select the location for our new

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artist training center based on a comprehensive evaluation of the location, area, zoning requirements by local authorities and surrounding environments of the properties available. Whether a property can offer us sufficient space is our most important consideration, as we plan to provide our artists and trainees with easy access to different types of courses and training activities without the need to commute. The property should also provide our employees with enough office space for our daily operation. Accessibility to public transport is another aspect we will consider. We prefer to choose a location which enables easy communication to airports, railway stations and highways. Furthermore, we prefer locations which are of a reasonable distance from residential buildings to keep our professional training undisturbed. We plan to purchase a property in a major city in mainland China and renovate it into our artist training center. We will purchase and install training equipment and furnishings, including but not limited to soundproof furnishings and musical instruments.

Based on our initial search and sites visit, we plan to choose a location in the commercial district of Chaoyang District, Beijing. We plan to further narrow down our search and choose a location (a) with sufficient parking lots and in close proximity to large grocery stores, which are necessary for the daily operation of the artist training center, (b) has high-quality property management and security services, to keep our managed artists and trainees undisturbed during training and protect their privacy and security, (c) has available space of a gross floor area of approximately 6,000 square meters, to provide enough space for our training, music production and photo shooting activities, and (d) in or close to cultural industry park to facilitate our exploration of potential business cooperation. As advised by Frost & Sullivan, there are sufficient locations in Chaoyang District, Beijing, that satisfy the above criteria.

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The following table sets forth an expected timeline for our purchase and renovation of the artist training center:

Year	Estimated use of [REDACTED]	Expected Timeline	Regulatory approval required	Hiring plan
2023	Approximately [REDACTED]% or HK\$[REDACTED] million	(a) identify the property to be purchased; (b) sign the purchase agreement; and (c) make the down payment for the purchase	As advised by our PRC Legal Advisor, we need to obtain the Building Permit (建築工程施工許可證) for the construction and renovation of our artist training center if the size of the center exceeds 300 square meters or will incur a renovation cost of RMB300,000 or above. As advised by our PRC Legal Advisor, there is no legal impediment for us to obtain the Building Permit, when applicable, as such permit is a normal procedure for construction and renovation work. Once we determine the exact location, we will follow relevant laws and regulations to finish the corresponding filing and approval process.	We do not expect to hire additional instructors or staff for the artist training center, other than our hiring plan in connection with our expansion plan of our Yuehua trainee program. The expected salaries for the instructors to be hired, either on a full-time or part-time basis, is approximately HK\$7.0 million per year.
2024	Approximately [REDACTED]% or HK\$[REDACTED] million	(a) make the full payment for the purchase; (b) complete space planning and design, which is expected to take approximately three to five months; and (c) initiate the interior construction and renovation work, which is expected to take approximately 12 to 15 months	As advised by our PRC Legal Advisor, there is no legal impediment for us to obtain the Building Permit, when applicable, as such permit is a normal procedure for construction and renovation work. Once we determine the exact location, we will follow relevant laws and regulations to finish the corresponding filing and approval process.	We do not expect to hire additional instructors or staff for the artist training center, other than our hiring plan in connection with our expansion plan of our Yuehua trainee program. The expected salaries for the instructors to be hired, either on a full-time or part-time basis, is approximately HK\$7.0 million per year.
2025	Approximately [REDACTED]% or HK\$[REDACTED] million	(a) complete the construction and renovation work; (b) equip the center with furniture and musical equipment, and finish equipment testing, which is expected to take three to four months	As advised by our PRC Legal Advisor, there is no legal impediment for us to obtain the Building Permit, when applicable, as such permit is a normal procedure for construction and renovation work. Once we determine the exact location, we will follow relevant laws and regulations to finish the corresponding filing and approval process.	We do not expect to hire additional instructors or staff for the artist training center, other than our hiring plan in connection with our expansion plan of our Yuehua trainee program. The expected salaries for the instructors to be hired, either on a full-time or part-time basis, is approximately HK\$7.0 million per year.

(ii) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for artist operation and promotion in China. We plan to enhance our efforts in promoting our established and newly debuted artists to provide them with more public exposure and enhance their market recognition in China. We plan to comprehensively improve our artist operation and promotion capabilities, and enhance the popularity of our existing managed artists. In addition, it is estimated that 30 to 50 trainees will graduate from our Yuehua trainee program and debut as our managed artists within the next three years. We intend to facilitate their debut and increase their popularity through promoting their musical works and the movies, drama series and variety programs in which they played a role, as well as arranging offline entertainment events in China, for the debutants.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to expand our music IP library.

We plan to expand our music IP library through obtaining music copyright licenses to capture the opportunities of the rapid development of the digital music market in China.

We expect the profit potential of music IPs to increase as a result of improvements in copyright protection for music industry in China. According to Frost & Sullivan, as

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China continues to regulate the licensing and sub-licensing of music content, the music copyright licensing market is expected to increase from approximately RMB18.2 billion in 2020 to approximately RMB47.4 billion in 2025, at a CAGR of 21.1% between 2020 and 2025. As the use of music IPs in the production of variety programs and concerts have been increasingly regulated by the copyright law, we believe we can expand our customer base and generate higher revenue from licensing our music IPs. In addition, as State Administration for Market Regulation (國家市場監督管理總局) in China issued Decision on certain major digital streaming platforms to relinquish exclusive deals held with its suppliers (《市場監管總局作出責令解除網絡音樂獨家版權等處罰》) against market monopoly in music industry in 2021, we expect the profit potential of music IPs to further increase.

We plan to obtaining music copyright licenses in a wide spectrum of music genres, including pop, ballad, electronic dance, hip hop and rock. Specifically, we will focus on (a) published musical works that have high popularity; (b) musical works from copyright holders with whom we have collaborated in the past; (c) unpublished musical works from accomplished composers or lyricists; and (d) musical works in styles or genres that are different from and complementary to our existing musical works. The expected cost of the musical works we planned to obtain is approximately RMB31.0 million per year.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for expanding our pan-entertainment business. According to Frost & Sullivan, the pan-entertainment market in China is expected to grow rapidly from approximately RMB555.9 billion in 2020 to reach approximately RMB1,334.8 billion in 2025, at a CAGR of 19.1% between 2020 and 2025, driven by rising disposable income level and people’s consumption on entertainment activities.

We plan to lease and build Yuehua-themed, multi-functional entertainment center, to provide visitors with interactive entertainment experiences onsite, and increase the influence and popularity of our Yuehua brand. Providing onsite entertainment experiences is an important way for our target audience to interact with our managed artists and get to know our Yuehua brand better. In our Yuehua-themed entertainment center, we plan to build YH theater, YH museum, YH gift shops, and YH cafés and themed restaurants. In YH theater, we will offer certain artistic training lessons to people who are interested in performing art. YH theater will also be used to hold offline entertainment events where our managed artists can interact with the visitors. YH museum will present the establishment and development history of our Company, as well as milestones during our managed artists and artist groups’ art performing art career. In YH gift shops, visitors can purchase physical albums we produced for our managed artists as well as photobooks, calendars, fashion items, poster cards and other artist-related merchandise. YH café and themed restaurants will provide fun and memorable dining experiences to diners, with themes in relation to our managed artists and their works.

When choosing the location for our Yuehua-themed entertainment center, after initial search and site visits, we plan to choose a location in the commercial districts of Chaoyang district or Haidian district of Beijing for our first Yuehua-themed entertainment center. We expect that the location (i) is in proximity to landmarks or situated in large commercial complex, and (ii) can be conveniently reached through

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public transport. As advised by Frost & Sullivan, there are sufficient locations in Chaoyang District and Haidian districts that satisfy the above criteria.

The following table sets forth a detailed expected timeline for our lease and renovation of the Yuehua – themed entertainment center:

Year	Estimated use of [REDACTED]	Expected Timeline	Regulatory approval required	Hiring plan
2023	Approximately [REDACTED]% or HK\$[REDACTED] million	(a) identify the property to be leased and sign lease agreement; (b) commence planning, design and interior construction and renovation, which is expected to take approximately six to eight months; (c) complete the construction and renovation work and launch the first Yuehuathemed entertainment center;	As advised by our PRC Legal Advisor, we need to obtain the Building Permit (建築工程施工許可證) for the construction and renovation of our Yuehua-themed entertainment center if the size of the center exceeds 300 square meters or will incur a renovation cost of RMB300,000 or above. As advised by our PRC Legal Advisor, there is no legal impediment for us to obtain the Building Permit, when applicable, as such permit is a normal procedure for construction and renovation work. Once we determine the exact location, we will follow relevant laws and regulations to finish the corresponding filing and approval process.	We plan to hire approximately ten to 12 employees for the operation of our first Yuehua-themed entertainment center, with an average salary of approximately RMB8,000-12,000 per month per person, upon the completion of the renovation. The actual number of employees to be hired for the operation of the center and their expected salary will depend on the size of the center and the operational need.
2024	Approximately [REDACTED]% or HK\$[REDACTED] million	(a) commence preparation of the second center, including identifying location, planning and design, construction and renovation, which is expected to take approximately eight to ten months; (b) launch the second Yuehua-themed entertainment center (c) continuously make lease payment		

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to promote our artist performance in other countries.

We plan to invest in Yuehua Korea to enhance its market competitiveness, and improve its artist training, promotion and operation capabilities, including its capabilities to promote artist groups and produce musical works. We will follow relevant laws, regulations and market practices in Korea and obtain the necessary licenses. For details, see “Regulations—Laws and Regulations in Relation to Our Business in Korea.”

We plan to promote our artists and pursue business opportunities in these overseas markets mainly through overseas media channels and entertainment event companies. For example, we plan to carry out promotional campaigns and publish musical works for our managed artists through setting up accounts on online video and social media platforms overseas, such as TikTok and YouTube. We will design and produce

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promotional content that is tailored for the overseas markets and deliver them to the target audience through overseas media channels. According to Frost & Sullivan, our plan to promote our managed artists through setting up accounts on overseas media channels without entering into commercial negotiation with the media channels is in line with the industry norm. We also plan to collaborate with overseas entertainment event companies and arrange concerts and other commercial events for our managed artists in the overseas markets. We expect these entertainment events will be carried out either exclusively by the overseas companies or jointly by us and the overseas companies. When we jointly manage such overseas entertainment events, we expect to participate in tasks such as planning the content to be performed, and coordinating our managed artists who will perform in the events. As of the Latest Practicable Date, we had not started discussion with any overseas entertainment event companies. As we do not plan to establish overseas subsidiaries or branches in these markets, we do not expect to hire any employees. We will follow the laws, regulations and market practices and obtain the necessary licenses, if any, in these markets.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and general corporate purposes, to support our business operation and growth.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range.

To the extent our [REDACTED] are either more or less than expected, we will increase or decrease the allocation of the [REDACTED] to the above purposes on a pro-rata basis.

If the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes, we will only deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions in Hong Kong and the PRC (as defined under the Securities and Futures Ordinance, the Law of the People’s Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC). We will make an appropriate announcement if there is any change to the above proposed use of [REDACTED] or if any amount of the [REDACTED] will be used for general corporate purpose.

If the [REDACTED] is fully exercised, we will receive additional [REDACTED] of approximately HK\$[REDACTED] million for [REDACTED] Shares to be allotted and issued upon the full exercise of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range, and after deducting the [REDACTED] fees and commissions payable by us. The additional amount raised will be applied to the above areas of use of [REDACTED] on pro-rata basis.