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乐华娱乐
YUE HUA
ENTERTAINMENT

YH Entertainment Group
乐华娱乐集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2306)

**MAJOR TRANSACTION IN RELATION TO
ACQUISITION OF PROPERTY**

THE ACQUISITION

Reference is made to the announcement of the Company dated June 27, 2023 in relation to the proposed Acquisition.

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

LISTING RULES IMPLICATIONS

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

An EGM will be convened for the purpose of approving, if thought fit, the Sale and Purchase Agreement and the transactions contemplated thereunder. To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other matters, (i) further details of the Acquisition; (ii) the valuation report on the Property; and (iii) a notice of the EGM, will be despatched to the Shareholders on or before August 14, 2023.

THE ACQUISITION

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

Date of the Sale and Purchase Agreement : July 24, 2023

Parties : (1) Yuehua Limited and Tianjin Yuehua, as the Purchasers; and
(2) Beijing Jinkai Liantai, as the Vendor

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

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

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

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

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

It is intended that the consideration be funded by a combination of bank borrowings and the Company’s internal resources (including the portion of net proceeds from the Company’s global offering which were allocated to the purchase and renovation of an artist training center, as disclosed in the Company’s prospectus dated December 30, 2022).

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

- (1) each of the Purchasers and the Vendor, or their respective authorized signatory, having executed the Sale and Purchase Agreement;

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

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

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

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

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

INFORMATION ABOUT THE PURCHASERS AND THE GROUP

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

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

INFORMATION ABOUT THE VENDOR AND THE PROPERTY

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

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

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Directors consider that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the transaction contemplated thereunder is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set forth below:

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| “Acquisition” | the acquisition of the Property subject to the terms and conditions of the Sale and Purchase Agreement |
| “Board” | the board of Directors of the Company |
| “Company” | YH Entertainment Group (乐华娱乐集团), an exempted company incorporated in Cayman Islands with limited liability on June 10, 2021, the shares of which are listed on the Stock Exchange (stock code: 2306) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “EGM” | an extraordinary general meeting of the Company |
| “Escrow Account” | an escrow account maintained and operated in accordance with the Escrow Agreement |

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| “Escrow Agreement” | an escrow agreement entered into among the Purchasers, the Vendor and a designated bank dated June 30, 2023 for the purpose of holding the consideration payable by the Purchasers to the Vendor for the Acquisition |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Parties” | third parties independent of the Company and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “MOU” | the memorandum of understanding in relation to the proposed Acquisition dated June 27, 2023, further details of which are described in the announcement of the Company dated June 27, 2023 |
| “Online Filing Contracts” | the standard contracts required to be filed through the online real estate transaction filing system operated by Beijing Municipal Commission Of Housing And Urban-Rural Development (北京市住房和城鄉建設委員會) for registration of real estate transactions |
| “PRC” or “China” | the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement only) |
| “Property” | Portion of FUTURE CENTER Block B (華樾中心B座), Building One, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區創遠路28號院1號樓) |
| “Purchasers” | Tianjin Yuehua and Yuehua Limited, as the co-purchaser and co-owner of the Property upon the completion of the Acquisition |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “Sale and Purchase Agreement” | the sale and purchase agreement entered into between the Vendor and the Purchasers in respect of the Acquisition |

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

By order of the Board
YH Entertainment Group
DU Hua

*Executive Director, Chairlady of the Board and
Chief Executive Officer*

Hong Kong, July 24, 2023

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