

乐华娱乐集团

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

2023

YH ENTERTAINMENT GROUP

INTERIM
REPORT



乐华娱乐
YUE HUA
ENTERTAINMENT



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CORPORATE INFORMATION



DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. YAO Lu
Mr. MENG Qingguang⁽¹⁾
Ms. ZHAO Wenjie⁽²⁾
Mr. MENG Jun⁽³⁾

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, Umland 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

Notes:

- (1) Mr. MENG Qingguang resigned as a non-executive Director with effect from June 28, 2023
- (2) Ms. ZHAO Wenjie resigned as a non-executive Director with effect from June 28, 2023
- (3) Mr. MENG Jun appointed as a non-executive Director with effect from June 28, 2023

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

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 business partners.

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

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



BUSINESS ANALYSIS BY BUSINESS LINE

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

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

Artist Management

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

For the six months ended June 30, 2023, we primarily generated revenue from providing services to our customers, including corporate customers, media platforms, content producers and advertising agencies, by arranging our managed artist to participate in commercial activities and provide entertainment content services.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Music IP Production and Operation

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

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

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

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

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

Pan-entertainment Business

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Our Global Footprint

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

Cost of Revenue

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Gross Profit and Gross Profit Margin

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

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

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

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

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

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

Selling and Marketing Expenses

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

General and Administrative Expenses

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Net Impairment Losses on Financial Assets

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

Other Income

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

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

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

Other Gains, Net

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Finance Income or Costs, Net

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

Share of Losses of Investment Accounted for Using the Equity Method

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

Fair Value Changes of Convertible Preferred Shares

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

Income Tax Expense

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

Loss for the Period

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

Non-IFRS Measures

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



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

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

Financial Assets at Fair Value Through Profit or Loss

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

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

Trade Receivables

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Prepayments and Other Receivables

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

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

Investments measured at Amortized Cost

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

Restricted Cash

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

Trade Payables

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

Other Payables and Accruals

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

Financial Liabilities at Fair Value Through Profit or Loss

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

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

Contract Liabilities

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Financial Position, Liquidity and Capital Resources

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

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

We had borrowings of RMB66.3 million and RMB65.9 million as of December 31, 2022 and June 30, 2023, respectively, all of which were denominated in KRW, in relation to our secured loan from a Korean bank for the purchase of Yuehua Korea's office building in Korea in 2019. As of June 30, 2023, our borrowings were secured by certain property, plant and equipment and investment properties with floating interest rates of 4.95% to 5.23% per annum. Our Group does not have any interest rate hedging policy as of the date of this 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 6.0% as of June 30, 2023.

Significant Investments Held

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

Future Plans for Material Investments and Capital Assets

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

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Employee and Remuneration Policy

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

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

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

Our Company also has an employee Share Incentive Plan.

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

Foreign Exchange Risk

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)



Pledge of Assets

As of June 30, 2023, certain property, plant and equipment and investment properties of our Group with an aggregate carrying value of RMB103.3 million were pledged to secure the bank borrowings of our Group.

Treasury Policy

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

Contingent Liabilities

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

Subsequent Events After the Reporting Period

On July 24, 2023, YueHua Limited and Tianjin Yuehua Music and Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司) entered into a sales and purchase agreement with the Vendor, in relation to acquisition of the Property located in Beijing with a consideration of RMB480 million. On September 11, 2023, an extraordinary general meeting (the "EGM") was held and approved the aforementioned transaction. For 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 EGM dated September 11, 2023.

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

OTHER INFORMATION



COMPLIANCE WITH THE CG CODE

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

After the Listing, the Company has complied with all applicable code provisions set out in the CG Code, except for a deviation from the code provision C.2.1 of 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 10 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the securities of the Company. The Shares of the Company were listed on the Main Board of the Stock Exchange on January 19, 2023, since which time the Model Code has been applicable to the Company. Having made specific enquiry to all the Directors, each of the Directors has confirmed that he/she has strictly complied with the required standards set out in the Model Code during the Reporting Period.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

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

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

CHANGES IN DIRECTORS AND THE INFORMATION OF DIRECTORS

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.

Save as disclosed herein, since the publication of the annual report for the year ended December 31, 2022 and up to the date of this interim 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.



OTHER INFORMATION (continued)



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

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

INTERIM DIVIDEND

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

USE OF PROCEEDS

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

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

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

Note:

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

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

OTHER INFORMATION (continued)



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

As of June 30, 2023, the interests and short positions of the Directors and the chief executives 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 June 30, 2023.
- (2) As of June 30, 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 June 30, 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 June 30, 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 June 30, 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.



OTHER INFORMATION (continued)



DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As of June 30, 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 June 30, 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%

OTHER INFORMATION (continued)



Notes:

- (1) The percentage figures disclosed under "Approximate percentage of interest in the Company" are calculated based on the 871,881,000 Shares, being the number of total issued shares of the Company as of June 30, 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 June 30, 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.

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.



OTHER INFORMATION (continued)



Maximum Number of Shares

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

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

An aggregate of 5,790,000 outstanding RSUs in respect of all 37,500,000 Shares (taking into account the effect of Capitalization Issue) available under the Share Incentive Plan had been granted to eligible participants prior to Listing.

Performance Target

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

Consideration for RSU

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

Conditions of Issuance of Shares

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

Vesting Schedule and Vesting Period

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

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

OTHER INFORMATION (continued)



Lock-up Period

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

Termination

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

Remaining Life

The Share Incentive Plan will be valid and effective for a period of 10 years, commencing from December 10, 2021, unless terminated by resolution in general meeting or the Board pursuant to the Share Incentive Plan. As of June 30, 2023, the remaining life of the Share Incentive Plan was approximately 8.5 years.

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



OTHER INFORMATION (continued)



Details of the RSUs granted 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)
		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 June 30, 2023	
Director(s) of the Company								
Mr. SUN Le	December 10, 2021	500,000	–	–	–	–	500,000	50,000
Other grantees (excluding the Director disclosed above)								
	December 10, 2021	1,042,500	–	–	–	–	1,042,500	104,250
	March 4, 2022	3,594,750	–	–	–	–	3,594,750	359,475
	December 20, 2022	652,750	–	–	–	–	652,750	65,275

Notes:

- (1) As no RSUs were granted during the Reporting Period, the fair value of the RSUs granted during the Reporting Period is not applicable.
- (2) As no RSUs were vested during the Reporting Period, the weighted average closing price of the Shares immediately before the dates on which the RSUs were vested is not available.
- (3) No RSUs were cancelled or lapsed during the Reporting Period.

For further details of the Share Incentive Plan, please refer to "D. Share Incentive Plan" of Appendix V to the Prospectus.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

For the six months ended June 30, 2023

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	8	364,821	487,970
Cost of revenue	9	(288,660)	(284,164)
Gross profit		76,161	203,806
Selling and marketing expenses	9	(16,820)	(13,937)
General and administrative expenses	9	(64,176)	(44,231)
Net impairment losses on financial assets	5.1(b)	(4,755)	(4,747)
Other income	10	1,007	1,916
Other gains, net	11	10,376	10,195
Operating profit		1,793	153,002
Finance income	12	2,898	2,758
Finance costs	12	(2,176)	(4,475)
Finance income/(costs), net		722	(1,717)
Share of losses of investments accounted for using the equity method	20	(2,738)	(1,140)
Fair value changes of convertible preferred shares	31	(160,524)	(24,119)
(Loss)/profit before income tax		(160,747)	126,026
Income tax expense	13	(15,166)	(33,293)
(Loss)/profit for the period		(175,913)	92,733
Other comprehensive income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(166)	(796)
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		62,440	(87,708)
Total comprehensive (loss)/income for the period		(113,639)	4,229



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

For the six months ended June 30, 2023

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Loss)/profit attributable to:			
Owners of the Company		(175,413)	93,803
Non-controlling interests		(500)	(1,070)
		(175,913)	92,733
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)	15		
Basic		(0.22)	0.20
Diluted		(0.22)	0.17
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(113,139)	5,366
Non-controlling interests		(500)	(1,137)
		(113,639)	4,229

The accompanying notes form an integral part of the interim condensed consolidated financial information.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended June 30, 2023

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	16	99,573	103,001
Right-of-use assets	18	9,753	10,581
Investment properties	17	14,187	14,353
Intangible assets	19	3,474	4,426
Investments accounted for using the equity method	20	17,679	15,078
Financial assets at fair value through profit or loss	21	45,546	45,546
Prepayments and other receivables	22	35,704	35,717
Deferred income tax assets		6,263	4,248
		232,179	232,950
Current assets			
Inventories		2,487	1,522
Trade receivables	22	114,701	129,940
Prepayments and other receivables	22	39,134	27,754
Financial assets at fair value through profit or loss	21	449,341	290,265
Investments measured at amortized cost	23	273,641	87,280
Restricted cash		–	23,900
Cash and cash equivalents	24	646,769	528,660
		1,526,073	1,089,321
Total assets		1,758,252	1,322,271
EQUITY			
Share capital	25	300	50
Share premium	26	1,418,617	–
Treasury shares	25	(4)	(4)
Reserves	27	(2,388,725)	(2,507,993)
Retained earnings		2,211,408	2,386,821
Equity attributable to owners of the Company		1,241,596	(121,126)
Non-controlling interests		3,773	4,273
Total equity/(deficit)		1,245,369	(116,853)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

For the six months ended June 30, 2023

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	28	65,945	66,276
Lease liabilities	18	5,068	5,841
Financial liabilities at fair value through profit or loss	31	–	774,964
Contract liabilities		14,854	30,636
		85,867	877,717
Current liabilities			
Trade payables	29	169,602	190,619
Other payables and accruals	30	42,511	49,696
Financial liabilities at fair value through profit or loss	31	–	128,884
Contract liabilities		161,171	129,596
Current income tax liabilities		49,672	60,358
Lease liabilities	18	4,060	2,254
		427,016	561,407
Total liabilities		512,883	1,439,124
Total equity and liabilities		1,758,252	1,322,271

The accompanying notes form an integral part of the interim condensed consolidated financial information.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity	
		Share capital	Share Premium	Treasury shares	Reserves	Retained earnings			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)									
As at January 1, 2023		50	-	(4)	(2,507,993)	2,386,821	(121,126)	4,273	(116,853)
Profit for the period		-	-	-	-	(175,413)	(175,413)	(500)	(175,913)
Currency translation differences		-	-	-	62,274	-	62,274	-	62,274
Total comprehensive (loss)/income for the period		-	-	-	62,274	(175,413)	(113,139)	(500)	(113,639)
Transactions with owners:									
Equity settled share-based payments		-	-	-	56,994	-	56,994	-	56,994
Conversion of convertible preferred shares into ordinary shares	31	169	1,020,365	-	-	-	1,020,534	-	1,020,534
Issuance of new shares upon listing	25	81	398,252	-	-	-	398,333	-	398,333
Total transactions with owners of the Company		250	1,418,617	-	56,994	-	1,475,861	-	1,475,861
As at June 30, 2023		300	1,418,617	(4)	(2,388,725)	2,211,408	1,241,596	3,773	1,245,369



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2023

	Note	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Share Premium	Combined capital	Treasury shares	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)										
As at January 1, 2022		-	-	110,046	-	(459,873)	662,351	312,524	7,034	319,558
Profit for the period		-	-	-	-	-	93,803	93,803	(1,070)	92,733
Currency translation differences		-	-	-	-	(88,436)	-	(88,436)	(67)	(88,503)
Total comprehensive (loss)/income for the period		-	-	-	-	(88,436)	93,803	5,367	(1,137)	4,230
Transactions with owners:										
Equity settled share-based payments		-	-	-	-	38,243	-	38,243	-	38,243
Deemed distributions to the shareholders of the Company		-	-	-	-	565	-	565	-	565
Reorganization – exchange redemption liabilities with convertible preferred shares		-	-	-	-	(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	25	4	-	-	-	-	-	4	-	4
Treasury shares	25	-	-	-	(4)	-	-	(4)	-	(4)
Dividends settled to the shareholders of the Company	14	-	-	-	-	(259,951)	-	(259,951)	-	(259,951)
Liquidation of a non-wholly owned subsidiary		-	-	-	-	-	-	-	(588)	(588)
Total transactions with owners of the Company		50	-	(110,046)	(4)	(1,980,664)	-	(2,090,664)	(588)	(2,091,252)
As at June 30, 2022		50	-	-	(4)	(2,528,973)	756,154	(1,772,773)	5,309	(1,767,464)

The accompanying notes form an integral part of the interim condensed consolidated financial information.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		61,453	29,451
Income taxes paid		(27,867)	(84,611)
Net cash generated from/(used in) operating activities		33,586	(55,160)
Cash flows from investing activities			
Purchases of property, plant and equipment		(716)	(2,276)
Purchase of intangible assets		(58)	(106)
Proceeds from disposal of property, plant and equipment		–	27
Payments for financial assets at fair value through profit or loss		(299,825)	(114,588)
Proceeds from disposals of financial assets at fair value through profit or loss		147,573	163,255
Payments for investments accounted for using the equity method		(7,201)	(10,000)
Proceeds from disposal of investments accounted for using the equity method		2,171	–
Advance of loans to third parties		(1,059)	(3,547)
Repayment from loans to third parties and a related party		1,074	21,898
Interest received from bank deposits and other loans		2,898	4,061
Payment for financial assets at amortized cost		(280,058)	–
Proceeds from disposal of financial assets at amortized cost		89,327	–
Net cash (used in)/generated from investing activities		(345,874)	58,724
Cash flows from financing activities			
Interest paid for borrowings		(2,002)	(865)
Payment for lease liabilities – principal and interest		(1,285)	(1,254)
Deemed distribution paid to the shareholders of the Company	27	–	(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	31	–	544,751
Payment for listing expenses		–	(1,712)
Issuance of new shares upon listing		415,167	–
Net cash generated from/(used in) financing activities		411,880	(73,895)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		528,660	546,559
Effect of exchange rate changes on cash and cash equivalents		18,517	38,371
Cash and cash equivalents at the end of the period		646,769	514,599

The accompanying notes form an integral part of the interim condensed consolidated financial information.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2023

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standard (“**IFRS**”) issued by International Accounting Standards Board (“**IASB**”) and the requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2022.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the historical financial information.

3.1 New and amended standards and interpretations

New and amended standards adopted by the Group

The Group has applied the new and amended standards effective for the financial year beginning on January 1, 2023. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New and amended standards and interpretations (continued)

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

The below new or revised accounting standards, amendments and interpretations to existing standards have been published but are not yet effective in current year and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
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 IFRS 7 and IAS 7	Supplier finance arrangements	January 1, 2024
IFRS S2	Climate related disclosures	January 1, 2024

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments to standards and interpretations to the existing IFRS.

4 SIGNIFICANT CHANGES IN PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

There was no significant change in principal subsidiaries, joint ventures and associates of the Group during the six months ended June 30, 2023.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

(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 Hong Kong Dollar ("**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 United States dollars ("**USD**") whereas their functional currency is RMB. For the six months ended June 30, 2023 and 2022, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the six months ended June 30, 2023 and 2022 would have been approximately RMB243,000 and RMB12,000 lower/higher.

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. For the six months ended June 30, 2023, if RMB had strengthened/weakened by 5% against HKD with all other variables held constant, the profit before income tax for the six months ended June 30, 2023 would have been approximately RMB5,420,000 higher/lower. For the six months ended June 30, 2022, if RMB had strengthened/weakened by 5% against HKD with all other variables held constant, the profit before income tax for the six months ended June 30, 2022 would have been approximately RMB47,000 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.1 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 June 30, 2023 and December 31, 2022, the Group's interest-bearing borrowings at floating rates were as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Borrowings at floating rates	65,945	66,276

As at June 30, 2023 and December 31, 2022, if the interest rates on borrowings at floating rates has been 50 basis points higher with all variables held constant, profit before income tax for the years then ended would have been approximately RMB330,000 and RMB331,000, lower/higher, respectively, mainly as a result of higher/lower interest expenses from borrowings.

(b) Credit risk

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

(i) Risk management

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

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 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
- Trade receivables
- Other receivables
- Investments measured at amortized cost

Cash and cash equivalents

While the Group's cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were with sound credit ratings.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

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 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.

On such basis, the loss allowance as at June 30, 2023 and December 31, 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
(Unaudited)							
As at June 30, 2023							
Expected loss rate	3.65%	8.20%	9.83%	35.40%	58.16%	100.00%	16.76%
Gross carrying amount (RMB'000)	57,846	28,998	26,003	12,352	2,206	10,395	137,800
Loss allowance provision (RMB'000)	2,114	2,378	2,556	4,373	1,283	10,395	23,099
(Audited)							
As at December 31, 2022							
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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

The movement of loss allowances for trade receivables for the six months ended June 30, 2023 and 2022 are as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	22,814	17,044
Impairment provision	286	5,205
Currency translation difference	(1)	51
At the end of the period	23,099	22,300

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 a debt instrument. 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables and investments measured at amortized cost (continued)

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.

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 month 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

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:



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

(Unaudited)

As at June 30, 2023

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross carrying amount				
Loans to third parties and a related party	3,805	–	–	3,805
Rental and other deposits	12,034	–	–	12,034
Investments measured at amortized cost	280,058	–	–	280,058
Others	3,668	–	–	3,668
	299,565	–	–	299,565

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Loss allowance				
Loans to third parties and a related party	111	–	–	111
Rental and other deposits	363	–	–	363
Investments measured at amortized cost	6,417	–	–	6,417
Others	374	–	–	374
	7,265	–	–	7,265
Expected credit loss rate	2.43%	–	–	2.43%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

(Audited)

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 and a related party	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 and a related party	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%



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

The loss allowances for other receivables and investments measured at amortized costs as at June 30, 2023 and 2022, reconcile to the opening loss allowances as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	756	824
Impairment provision	99	(458)
Currency translation difference	(7)	(11)
At the end of the period	848	355

(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	Total RMB'000
(Unaudited)				
At June 30, 2023				
Borrowings	65,945	–	–	65,945
Trade payables	169,602	–	–	169,602
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	11,504	–	–	11,504
Lease liabilities	4,060	1,206	3,862	9,128
Financial liabilities at FVPL	–	–	–	–
	251,111	1,206	3,862	256,179

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
(Audited)				
At December 31, 2022				
Borrowings	3,437	3,446	68,542	75,425
Trade payables	190,619	–	–	190,619
Other payables and accruals (excluding salary and staff welfare payables and taxes 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

5.2 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 financial liabilities at fair value through profit or loss). Total capital is calculated as total equity, as shown in the statement of financial position, plus net debt. As at June 30, 2023 and December 31, 2022, the Group has a net cash position.

5.3 Fair value estimation

5.3.1 Fair value hierarchy

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

5.3.1 Fair value hierarchy (continued)

The tables below analyze the Group's financial instruments carried at fair value as at June 30, 2023 and December 31, 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
As at June 30, 2023				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	–	–	449,341	449,341
Investments in unlisted equity securities (Note 21(c))	–	–	30,831	30,831
Investments in a listed equity security (Note 21(d))	–	14,715	–	14,715
	–	14,715	480,172	494,887

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

5.3.1 Fair value hierarchy (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)				
As at December 31, 2022				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	–	–	290,265	290,265
Investments in unlisted equity securities (Note 21(c))	–	–	30,831	30,831
Investments in a listed equity security (Note 21(d))	–	14,715	–	14,715
	–	14,715	321,096	335,811
Financial liabilities at FVPL				
Convertible preferred shares (Note 31)	–	–	903,848	903,848

There was no transfer of fair value hierarchy levels during the six months ended June 30, 2023 and 2022.

5.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

5.3.3 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, and investments in unlisted equity securities for the six months ended June 30, 2023 and 2022.

	Financial assets at FVPL			Total RMB'000
	Investments in wealth management products RMB'000	Investments in movies, drama series and variety programs RMB'000	Investments in unlisted equity securities RMB'000	
(Unaudited)				
As at January 1, 2023	290,265	–	30,831	321,096
Additions	299,825	–	–	299,825
Disposals	(147,573)	–	–	(147,573)
Fair value gains	6,824	–	–	6,824
Currency translation differences	–	–	–	–
As at June 30, 2023	449,341	–	30,831	480,172
(Unaudited)				
As at January 1, 2022	446,265	1,820	2,800	450,885
Additions	80,000	–	22,589	102,589
Disposals	(161,435)	(1,820)	–	(163,255)
Fair value gains	5,524	–	–	5,524
Currency translation differences	–	–	232	232
As at June 30, 2022	370,354	–	25,621	395,975

5.3.4 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 21(a)), investments in unlisted equity securities (Note 21(c)) and convertible preferred shares (Note 31). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

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

The unlisted investments represent the investments in certain privately owned companies. The Group used discounted cash flows approach to evaluate the fair value of the unlisted investments as at each year end. Besides, management is of the view that there are no material changes in fair value of the unlisted investments during the six months ended June 30, 2023, unless there is available information about latest round of financing.

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

Description	Fair value at June 30, 2023 RMB'000 (Unaudited)	Fair value at December 31, 2022 RMB'000 (Audited)	Key inputs and relationships of unobservable inputs to fair value
Investments in unlisted equity securities	30,831	30,831	The higher internal rate of return, the lower the fair value. As at June 30, 2023 and December 31, 2022, the expected rates of return range from 1.80% to 5.50%, 1.80% to 3.95%, respectively.
Investments in wealth management products	449,341	290,265	The higher the expected rate of return, the higher the fair value.
Total	480,172	321,096	

For the significant unobservable inputs and their relationships to the fair value of convertible preferred shares, please refer to Note 31.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the profit before income tax for the six months ended June 30, 2023 and 2022 would have been approximately RMB48,017,000 and RMB7,999,000 higher/lower, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2023 and 2022.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

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

The carrying amount of the Group's other financial assets, including cash and cash equivalents, 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.

6 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 5.3.

(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 5.1(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(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.

(d) Estimation of redemption liabilities

The Group granted preferential rights to certain shareholders of Group that they have the right to request the Group to purchase the equity interests in Yuehua Limited held by them when certain conditions are met. The Group initially recognize the financial liabilities at the present value of the estimated future cash outflows under the redemption arrangement and subsequently carried at amortized cost. If the Group revises its estimates of payments in subsequent periods, the Group will recalculate the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and adjust the carrying amount of the financial liabilities to reflect actual or revised estimated cash outflows in the consolidated balance sheet. The adjustment to the carrying amounts will be recognized in profit or loss.

(e) Recognition of share-based payment expenses

As disclosed in Note 34, 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

7 SEGMENT INFORMATION

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

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

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

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

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

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

8 REVENUES

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



8 REVENUES (continued)

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

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

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

9 EXPENSES BY NATURE

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue sharing for artist management business	196,571	210,600
Equity settled share-based payments (Note 34)	56,995	38,243
Employee benefits expenses other than equity settled share-based payments	33,418	26,353
Production costs of music content	16,469	13,246
Artist promotion costs	15,357	16,527
Listing expenses	8,286	10,191
Advertising and promotion expenses	838	854
Depreciation of property, plant and equipment (Note 16)	3,708	3,208
Depreciation of right-of-use assets (Note 18)	3,068	2,678
Amortization of intangible assets (Note 19)	1,010	933
Travelling expenses	4,919	1,385
Cost of concert organisation	5,502	–
Costs of inventories sold	5,163	6,744
Taxes and surcharges	1,816	1,457
Rental expenses for short-term and low-value leases (Note 18)	1,533	1,344
Professional fees	1,613	1,442
Depreciation of investment properties (Note 17)	94	90
Others	13,296	7,037
Total cost of revenue, selling and marketing expenses, and general and administrative expenses	369,656	342,332



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

10 OTHER INCOME

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Tax credit of input tax additional deduction	390	1,616
Government subsidies	318	14
Rental income from investment properties (Note 17)	299	286
	1,007	1,916

11 OTHER GAINS, NET

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

12 FINANCE INCOME/(COSTS), NET

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income		
– Interest income from bank deposits	2,898	2,484
– Interest income from loans to third parties and a related party	–	274
	2,898	2,758
Finance costs		
– Interest expenses on bank borrowings	(2,002)	(865)
– Interest expenses on lease liabilities	(174)	(204)
– Interest expenses on redemption liabilities (Note 31)	–	(3,406)
	(2,176)	(4,475)
Finance income/(costs), net	722	(1,717)

13 INCOME TAX EXPENSE

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

13 INCOME TAX EXPENSE (continued)

(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 six months ended June 30, 2023 and 2022.

(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 six months ended June 30, 2023 and 2022.

As stipulated in Zang Zheng Fa 2018 No.25, Zang Zheng Fa 2021 No. 9 and Zang Zheng Fa 2022 No. 11, enterprises established in Tibet that fulfilled certain criteria could enjoy overall preferential CIT rate of 9% during the periods from January 1, 2018 to December 31, 2025. Tibet Yuehua Culture Communication Co., Ltd., a subsidiary established in Tibet, was entitled to such CIT benefit during the periods from January 1, 2018 to December 31, 2022, 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 RMB1,069,000 and RMB1,051,000 during the six months ended June 30, 2023 and 2022) of the tax base, 22% up to KRW20,000,000,000 (equivalent to approximately RMB106,929,000 and RMB105,138,000 during the six months ended June 30, 2023 and 2022), 24.2% for amounts up to KRW300,000,000,000 (equivalent to approximately RMB1,603,935,000 and RMB1,577,066,000 during the six months ended June 30, 2023 and 2022) and 27.5% over KRW300,000,000,000 (equivalent to approximately RMB1,603,935,000 and RMB1,577,066,000 during the six months ended June 30, 2023 and 2022) on the estimated assessable profits of the Group's operations in Korea during the six months ended June 30, 2023 and 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



14 DIVIDENDS

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

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

15 (LOSSES)/EARNINGS PER SHARE

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

In determining the weighted average number of ordinary shares deemed to be in issue during the six months ended June 30, 2023 and 2022, 463,200,000 shares, being the number of ordinary shares issued by the Company on June 10, 2021 (date of incorporation) as set out in Note 25 and also taking into account the capitalization issue that took place in January 2023 as set out in Note 25, were deemed to have been allocated and issued since January 1, 2022, when computing the basic and diluted (losses)/earnings per share for the six months ended June 30, 2023 and 2022.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

15 (LOSSES)/EARNINGS PER SHARE (continued)

(a) Basic (losses)/earnings per share

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	(175,413)	93,803
Weighted average number of ordinary shares in issue (Note 25)	797,020,100	463,200,000
Basic (losses)/earnings per share (RMB)	(0.22)	0.20

(b) Diluted (losses)/earnings per share

The diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares pursuant to the convertible preferred shares (Note 31), which were deemed to have been allotted and issued on January 1, 2022 as if the Company had been incorporated by then, and taking into account the capitalization issue that took place in January 2023. For restricted shares granted, they are contingently issuable shares and have therefore been excluded in the calculation of diluted (losses)/earnings per share as the relevant conditions for the issuance of these shares have not been satisfied.

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	(175,413)	93,803
Adjustment for fair value changes of convertible preferred shares (Note 31) (RMB'000)	–	24,119
Adjustment for interest expenses on redemption liabilities (Note 12) (RMB'000)	–	3,406
(Loss)/profit used to determine diluted earnings per share (RMB'000)	(175,413)	121,328
Weighted average number of ordinary shares in issue (Note 25)	797,020,100	463,200,000
Adjustment for convertible preferred shares (Note 31)	–	249,300,000
	797,020,100	712,500,000
Diluted (losses)/earnings per share (RMB)	(0.22)	0.17

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



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
(Unaudited)							
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
Six months ended June 30, 2022							
Opening net book amount	73,842	13,600	1,069	2,523	2,559	10,052	103,645
Additions	-	-	21	726	-	1,529	2,276
Depreciation charge	-	(177)	(110)	(480)	(367)	(2,074)	(3,208)
Disposal	-	-	-	(27)	-	-	(27)
Currency translation differences	(2,823)	(516)	(5)	(41)	(16)	(65)	(3,466)
Closing net book amount	71,019	12,907	975	2,701	2,176	9,442	99,220
At June 30, 2022							
Cost	71,019	13,891	1,775	4,433	3,827	14,953	109,898
Accumulated depreciation	-	(984)	(800)	(1,732)	(1,651)	(5,511)	(10,678)
Net book amount	71,019	12,907	975	2,701	2,176	9,442	99,220



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

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

Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of revenue	1,136	983
Selling and marketing expenses	1,503	1,300
General and administrative expenses	1,069	925
	3,708	3,208



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

17 INVESTMENT PROPERTIES

	Building RMB'000	Freehold land RMB'000	Total RMB'000
(Unaudited)			
Six months ended June 30, 2022			
Opening net book amount	6,881	7,231	14,112
Depreciation charge	(90)	–	(90)
Currency translation differences	(261)	(276)	(537)
Closing net book amount	6,530	6,955	13,485
At June 30, 2022			
Cost	7,028	6,955	13,983
Accumulated amortization	(498)	–	(498)
Net book amount	6,530	6,955	13,485
(Unaudited)			
Six months ended June 30, 2023			
Opening net book amount	6,902	7,451	14,353
Depreciation charge	(94)	–	(94)
Currency translation differences	(34)	(38)	(72)
Closing net book amount	6,774	7,413	14,187
At June 30, 2023			
Cost	7,492	7,413	14,905
Accumulated amortization	(718)	–	(718)
Net book amount	6,774	7,413	14,187

Depreciation of the Group's investment properties has been recognized as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
General and administrative expenses	94	90

The valuation of the investment properties as at June 30, 2023 and December 31, 2022 (including the related freehold land in Korea with net book value of approximately RMB7,413,000 and RMB7,451,000 respectively) were RMB16,492,000 and RMB16,580,000 respectively, which was determined by the directors of the Company on an open market value basis using the sales comparison approach.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

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 June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Right-of-use assets		
– Buildings	7,275	7,713
– Motor vehicles	2,478	2,868
	9,753	10,581
Lease liabilities		
– Current	4,060	2,254
– Non-current	5,068	5,841
	9,128	8,095

(b) Right-of-use assets

	Building RMB'000	Motor vehicles RMB'000	Total RMB'000
(Unaudited)			
As at January 1, 2022	9,451	2,770	12,221
Additions	–	542	542
Depreciation charge	(2,189)	(489)	(2,678)
Disposal	(1,174)	(21)	(1,195)
Currency translation differences	(51)	(77)	(128)
At June 30, 2022	6,037	2,725	8,762
(Unaudited)			
As at January 1, 2023	7,713	2,868	10,581
Additions	1,999	233	2,232
Depreciation charge	(2,465)	(603)	(3,068)
Currency translation differences	28	(20)	8
At June 30, 2023	7,275	2,478	9,753

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



18 LEASES (continued)

(c) Amounts recognized in profit or loss

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
– Buildings	2,465	2,189
– Motor vehicles	603	489
Interest expense (included in finance costs) (Note 12)	174	204
Expense relating to short-term low-value leases (Note 9)	1,533	1,344

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash outflows from operating activities		
– Payments for short-term leases (*)	1,533	1,344
Cash outflows from financing activities		
– Payment of principal and interest element of lease liabilities	1,285	1,254

* Payments for short-term leases were not shown separately, but included in the line of “profit before income tax” in respect of the net cash generated from operations.

(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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

19 INTANGIBLE ASSETS

	Software RMB'000	Music copyrights RMB'000	Film rights – completed production RMB'000	Total RMB'000
At December 31, 2021				
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
(Unaudited)				
Six months ended June 30, 2022				
Opening net book amount	11	5,832	–	5,843
Additions	106	–	–	106
Amortization charge	(23)	(910)	–	(933)
Closing net book amount	94	4,922	–	5,016
At June 30, 2022				
Cost	208	12,348	30,838	43,394
Accumulated amortization	(114)	(7,426)	(30,838)	(38,378)
Net book amount	94	4,922	–	5,016
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
(Unaudited)				
Six months ended June 30, 2023				
Opening net book amount	415	4,011	–	4,426
Additions	58	–	–	58
Amortization charge	(100)	(910)	–	(1,010)
Closing net book amount	373	3,101	–	3,474
At June 30, 2023				
Cost	655	12,348	–	13,003
Accumulated amortization	(282)	(9,247)	–	(9,529)
Net book amount	373	3,101	–	3,474



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

19 INTANGIBLE ASSETS (continued)

Depreciation of the Group's intangible assets has been recognized as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of revenue	910	841
General and administrative expenses	100	92
	1,010	933

20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	15,078	39,076
Additions	7,201	10,000
Disposals	(1,862)	(37,236)
Share of losses of investments accounted for using the equity method	(2,738)	(1,140)
At the end of the period	17,679	10,700



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Current portion		
Investments in wealth management products (a)	449,341	290,265
	449,341	290,265
Non-current portion		
Investments in unlisted equity securities (c)	30,831	30,831
Investment in a listed equity security (d)	14,715	14,715
	45,546	45,546
	494,887	335,811

(a) Investments in wealth management products

Movements in investments in wealth management products were as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	290,265	446,265
Additions	299,825	80,000
Disposals	(147,573)	(161,435)
Fair value changes (Note 11)	6,824	5,524
At the end of the period	449,341	370,354

The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at FVPL. Changes in fair value of these financial assets are recognized in "other gains/(loss), net" in the consolidated statements of comprehensive income. For the fair value estimation, please refer to Note 5.3 for details.

As at June 30, 2023 and December 31, 2022, all wealth management products mature within 1 year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



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

(b) Investments in movies, drama series and variety programs

Movements in investments in movies, drama series and variety programs were as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	–	1,820
Disposals	–	(1,820)
At the end of the period	–	–

(c) Investments in unlisted equity securities

The Group's investments in unlisted equity securities included in financial assets at FVPL represent the investments in certain privately owned companies. For the fair value estimation, please refer to Note 5.3 for details.

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	30,831	2,800
Additions	–	22,589
Currency translation differences	–	232
At the end of the period	30,831	25,621

(d) Investment in a listed equity security

The Group's investment in a listed equity security included in financial assets at FVPL represent the investment in a certain public company. For the fair value estimation, please refer to Note 3.3 for details.

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	14,715	–
Additions	–	11,999
Fair value changes (Note 11)	–	2,716
At the end of the period	14,715	14,715



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

22 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade receivables	137,800	152,754
Less: allowance for impairment (Note 5.1)	(23,099)	(22,814)
Trade receivables, net	114,701	129,940
Deferred listing expenses	–	6,764
Other prepayments (a)	40,343	37,825
Prepayments	40,343	44,589
Loans to third parties (b)	3,805	3,652
Rental and other deposits	12,034	6,060
Other tax recoverable	15,836	9,858
Others	3,668	68
	35,343	19,638
Less: allowance for impairment (Note 5.1)	(848)	(756)
Other receivables, net	34,495	18,882
Total prepayments and other receivables	74,838	63,471
Less: non-current deposits and prepayments	(35,704)	(35,717)
Current portion	39,134	27,754

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



22 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

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

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

23 INVESTMENTS MEASURED AT AMORTIZED COST

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Investments in a debt instrument	280,058	89,327
Less: allowance for impairment (Note 5.1)	(6,417)	(2,047)
Investments in a debt instrument – net	273,641	87,280

24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Cash at bank and on hand	646,769	552,560
Less: Restricted cash	–	(23,900)
Cash and cash equivalents	646,769	528,660
Maximum exposure to credit risk	646,769	552,560



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

25 SHARE CAPITAL

Authorised:

	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 June 30, 2023	2,000,000,000	200,000

Issued:

	Number of shares	Nominal value USD	Share capital RMB'000	Treasury shares RMB'000	Total RMB'000
(Audited)					
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
Less: Treasury shares for restricted share unit scheme	(5,790,000)	(579)	–	(4)	(4)
As at December 31, 2022	71,510,865	7,151	50	(4)	46
(Unaudited)					
As at January 1, 2023	71,510,865	7,151	50	(4)	46
Issuance of new shares upon listing	121,881,000	12,188	81	–	81
Conversion of convertible preferred shares (a)	249,300,000	24,930	169	–	169
Capitalization Issue	423,399,135	42,340	–	–	–
Less: Treasury shares for restricted share unit scheme	(31,710,000)	(3,171)	–	–	–
As at June 30, 2023	834,381,000	83,438	300	(4)	296

- (a) 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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



26 SHARE PREMIUM

On January 19, 2023, the Company was listed on the Main Board of Stock Exchange. Upon the Listing of the Company on January 19, 2023, the convertible preferred shares disclosed in Note 31 was mandatorily and automatically converted to 38,489,135 shares of the Company at the final offer price of HKD4.08 per share. Moreover, in connection with the listing, the Company issued a total of 634,210,000 shares, among which 391,689,135 shares and 210,810,865 shares are attributable to ordinary shareholders and holders of convertible preferred shares respectively, by capitalising the relevant sum standing to the credit of the share premium account of the Company.

27 RESERVES

	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total Reserves RMB'000
(Audited)					
As at January 1, 2022	40,960	(7,134)	2,068	(495,767)	(459,873)
Reorganization – exchange redemption liabilities with convertible preferred shares (Note 31)	–	–	–	(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 & Note 25)	–	–	–	(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 34)	–	–	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	40,960	(127,134)	93,181	(2,515,000)	(2,507,993)
(Unaudited)					
As at January 1, 2023	40,960	(127,134)	93,181	(2,515,000)	(2,507,993)
Equity settled share-based payments	–	–	56,994	–	56,994
Currency translation differences	–	62,274	–	–	62,274
As at June 30, 2023	40,960	(64,860)	150,175	(2,515,000)	(2,388,725)



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

27 RESERVES (continued)

(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.

28 BORROWINGS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Non-current		
Bank borrowings	65,945	66,276
	65,945	66,276

As at June 30, 2023 and December 31, 2022, the Group's bank borrowing was denominated in KRW, and secured by certain property, plant and equipment amounting to RMB89,093,000 and RMB89,726,000, respectively, and investment properties amounting to RMB14,187,000 and RMB14,353,000, respectively, with floating interest rates of 4.79% to 5.23% and 2.76% to 5.23% per annum, respectively.

The repayment terms of the bank borrowings are as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 1 year	–	–
Between 1 and 2 years	–	–
Between 2 and 5 years	65,945	66,276
	65,945	66,276

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



29 TRADE PAYABLES

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

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

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

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

30 OTHER PAYABLES AND ACCRUALS

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

31 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On January 28, 2022, as part of the Group's Reorganization, 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 30) 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 RMB 614,882,000 was derecognized, and the differences amounting to RMB1,869,521,000 was recognized in equity.

The key terms of the convertible preferred shares mirror those preferential rights described in Note 31, 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.

The movements of the convertible preferred shares are set out as below:

	As at June 30, 2023 RMB'000 (Unaudited)
At the beginning of the period	903,848
Fair value changes	160,524
Conversion of convertible preferred shares into ordinary shares	(1,020,534)
Currency translation differences	(43,838)
At the end of the period	—



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

32 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 at the end of the reporting period but not recognised as liabilities were as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Leasehold improvements	4,757	169
	4,757	169

33 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.

Major related parties that had transactions with the Group during the six months ended June 30, 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 Yuehua Limited
Mr. LEE Sang Kyu	Director of a subsidiary of the Group
Ms. YAO Lu	Director of Yuehua Limited to represent CMC
Ms. ZHAO Wenjie	Director of Yuehua Limited to represent Quantum Jump
Mr. MENG Qingguang	Director of Yuehua Limited to represent Dongyang Alibaba Pictures
Mr. MENG Jun	Director of Yuehua Limited to represent Dongyang Alibaba Pictures
CMC and its subsidiaries (collectively "CMC Group")	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, 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 Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, 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 Yuehua Limited with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of Yuehua Limited, 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
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
Wuyin Digital (北京吾音數字科技有限公司)	An associate of the Group owned as to 20.0% by Tianjin Yihua



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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 June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
(i) Revenue:		
APG	19,700	49,271
CMC Group	4,878	7,245
Quantum Jump's fellow subsidiaries	5,584	32,850
Wuyin Digital	16	164
	30,178	89,530
(ii) Cost of revenue:		
Quantum Jump's fellow subsidiaries	–	627
	–	627
(iii) Finance income:		
Nice Future	–	41

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



33 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade-nature		
(i) Trade receivables:		
APG	5,917	165
CMC Group	206	–
Quantum Jump's fellow subsidiaries	7,163	17,264
	13,286	17,429
(ii) Contract liabilities:		
APG	699	5,346
Quantum Jump's fellow subsidiaries	–	71
	699	5,417
(iii) Other payables:		
APG	70	70
Quantum Jump's fellow subsidiaries	397	620
	467	690

(c) Key management personnel compensation

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Wages, salaries and bonuses	2,143	1,910
Pension costs – defined contribution plans	127	111
Other social security costs, housing benefits and other employee benefits	185	120
Equity settled share-based payments	7,758	6,969
	10,213	9,110



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023

34 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
December 10, 2021	1,542,500	25% are to be vested 6 months from the Listing Date 25% are to be vested 18 months from the Listing Date 25% are to be vested 30 months from the Listing Date 25% are to be vested 42 months from the Listing Date
March 4, 2022	3,594,750	25% are to be vested 6 months from the Listing Date 25% are to be vested 18 months from the Listing Date 25% are to be vested 30 months from the Listing Date 25% are to be vested 42 months from the Listing Date
December 20, 2022	652,750	25% are to be vested 6 months from the Listing Date 25% are to be vested 18 months from the Listing Date 25% are to be vested 30 months from the Listing Date 25% are to be vested 42 months from the Listing Date

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended June 30, 2023



34 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 six months ended June 30, 2023 and 2022 were summarized in the following table:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Share-based compensation expenses for eligible individuals	56,995	38,243

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 June 30, 2023 and December 31, 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, 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 and June 30, 2023	5,790,000	46.85

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.

35 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at June 30, 2023.



FINANCIAL HIGHLIGHTS



	For the six months ended June 30,		Period-on-Period change
	2023	2022	
	<i>(RMB in thousands, except for percentages)</i>		
	(Unaudited)	(Unaudited)	
Revenue	364,821	487,970	(25.2%)
Gross profit	76,161	203,806	(62.6%)
Gross profit margin	20.9%	41.8%	(50.0%)
Operating profit	1,793	153,002	(98.8%)
(Loss)/profit before income tax	(160,747)	126,026	(227.6%)
(Loss)/profit for the period	(175,913)	92,733	(289.7%)
Non-IFRS measures:			
Adjusted net profit for the period*	49,892	168,692	(70.4%)

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

DEFINITIONS AND GLOSSARY



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

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“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 14 to the Listing Rules
“Chairlady”	the chairlady of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references herein to “China” and the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”, “our Company”, “the Company” or “YH Entertainment”	YH Entertainment Group (乐华娱乐集团), an exempted company incorporated in Cayman Islands with limited liability on June 10, 2021
“Directors”	director(s) of the Company
“Global Offering”	has the meaning ascribed to it in the Prospectus
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Korea”	The Republic of Korea
“KRW”	Korean Republic won, the lawful currency of Korea
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on January 19, 2023
“Listing Date”	the date, namely January 19, 2023, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time



DEFINITIONS AND GLOSSARY (continued)

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Over-allotment Option"	has the meaning ascribed to it in the Prospectus
"Property"	the property located at Portion of FUTURE CENTER Block B (華樾中心B座), Building One, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區創遠路28號院1號樓)
"Prospectus"	the prospectus of the Company published on December 30, 2022
"Reporting Period"	the six months ended June 30, 2023
"RMB" or "Renminbi"	the lawful currency of the PRC
"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 Incentive Plan"	the share incentive plan that our Company adopted on December 10, 2021
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0001 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"Vendor"	Beijing Jinkai Liantai Real Estate Development Co., Ltd. (北京金開連泰房地產開發有限公司), a company incorporated in the PRC with limited liability
"Yuehua Investment"	Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司), a limited liability company established in the PRC on September 24, 2021 and an indirect wholly-owned subsidiary of our Company in the PRC
"Yuehua Korea"	Yuehua Entertainment Korea Co., Ltd., a company incorporated in Korea with limited liability on August 28, 2014 and a non-wholly owned subsidiary of Yuehua Limited
"Yuehua Limited"	YueHua Entertainment Co., Ltd. (北京樂華圓娛文化傳播有限公司), a limited liability company established in the PRC on July 3, 2009 and a non-wholly owned subsidiary of Yuehua Investment
"%"	percentage

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