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乐华娱乐
YUE HUA
ENTERTAINMENT

YH Entertainment Group
乐华娱乐集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2306)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2023 together with the comparative figures for the same period in 2022:

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Year-on-Year
	2023	2022	change
	<i>(RMB in thousands, except for percentages)</i>		
Revenue	755,681	980,254	(22.9%)
Gross profit	175,035	363,086	(51.8%)
Gross profit margin	23.2%	37.0%	(37.3%)
Operating profit	31,111	212,211	(85.3%)
(Loss)/profit before income tax	(105,070)	1,791,432	N/A
(Loss)/profit for the year	(142,588)	1,725,185	N/A
Non-IFRS measures:			
Adjusted net profit for the year	105,218	266,553	(60.5%)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are an established artist management company in China. Since our establishment in 2009, we have grown into a culture and entertainment platform comprising three complementary businesses of artist management, music IP production and operation, and pan-entertainment business.

During the Reporting Period, despite the complicated market environment, we made endeavors to maintain and develop our connection and cooperation with our suppliers, customers and other business partners.

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

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

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

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

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

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

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

BUSINESS ANALYSIS BY BUSINESS LINE

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

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

Artist Management

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

During the Reporting Period, we primarily generated revenue from providing services to our customers, including corporate customers, media platforms, content producers and advertising agencies, by arranging our managed artist to participate in commercial activities and provide entertainment content services.

We arrange our managed artists to participate in various commercial activities at the request of our customers, including endorsement deals, business promotion activities and other commercial activities. During the Reporting Period, our managed artists attended various high-profile business promotion activities and other commercial activities, underscoring their substantial commercial value. Meanwhile, our managed artists have starred in a wide selection of movies, drama series, variety programs and public performances, and have gained wide popularity.

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

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

In the future, we will further increase the quality and quantity of our managed artists to solidify our advantage as a leading artist management company in China. With our own artist training center coming into use in 2024, our core capabilities in artist training will be enhanced and upgraded to the new level. Leveraging our professional and systematic Yuehua trainee program, we will continue to expand our roster of trainees with artistic potential. We plan to continue enhancing our artist operation capabilities to boost the popularity and commercial value of our managed artists and also increase our efforts in marketing and promoting our managed artists as well as recent debutants.

Music IP Production and Operation

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

We maintain an extensive library of original and licensed music IPs, which is continuously expanding. As of December 31, 2023, we had built an extensive music IP library comprising more than 1,290 musical works we produced for our managed artists. During the Reporting Period, we released 14 digital singles and 10 digital albums, comprising 72 songs in total.

During the Reporting Period, we generated revenue from licensing our music IPs to music streaming platforms and other music service providers, and selling digital and physical copies of our music IPs. We licensed the music IPs in our music IP library to a wide selection of music service providers, including major music streaming platforms such as NetEase Cloud Music and Tencent Music, and telecommunication companies, for licensing fees and royalties.

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

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

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

Pan-entertainment Business

In addition to artist management and music IP production and operation, during the Reporting Period, we also generated a small portion of our revenue from other businesses in the pan-entertainment business, such as commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise.

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

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

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

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

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

Our Global Footprint

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

Our strategic approach focuses on identifying and developing talents that can make a significant impact both locally and internationally, thereby reinforcing our commitment to fostering global entertainment icons. During the Reporting Period, our participation in “Asian Super Young (亞洲超星團),” a talent show aimed at discovering the next big name in Asian entertainment, has further solidified our presence in the entertainment industry. The show’s finale, broadcasted globally from Macau, saw the debut of “LOONG 9,” with four members from us achieving top ranks. This not only highlights our artists’ talents but also our capability to guide and nurture stars that resonate on a global scale.

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

In addition to Korea, we were also actively expanding our business in other parts of world during the Reporting Period. During the Reporting Period, movies starring Mr. Wang Yibo (王一博), such as “Hidden Blade (無名)” and “Born to Fly (長空之王)” were distributed in the United States, Canada, Australia, New Zealand, the United Kingdom, Ireland, Singapore, Malaysia, Thailand and Russia, and dramas starring Ms. Wu Xuanyi (吳宣儀) and Mr. Lee Do-hyun (李到晧), 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. During the Reporting Period, we have expanded our footprint into American entertainment market with the establishment of YH Entertainment USA, headquartered in California, the United States, so as to enhance our brand influence internationally. Moving forward, we will also explore business opportunities in other regions of the global market, such as Southeast Asia and Japan.

FINANCIAL REVIEW

Revenue

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

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

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

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

Cost of Revenue

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

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

Notes:

- (1) Consisting primarily of amortization of music IP procurement costs.
- (2) Consisting primarily of expenses arising from granting restricted share units (“RSUs”) to eligible individuals under our Share Incentive Plan. We adopted our Share Incentive Plan on December 10, 2021. We granted 1,542,500 RSUs, 3,594,750 RSUs and 652,750 RSUs to eligible individuals on December 10, 2021, March 4, 2022 and December 20, 2022, respectively.
- (3) Consisting primarily of (i) expenses for training our trainees, (ii) travel and car rental expenses for artists and assistants to participate in various commercial activities, and (iii) costs for sales of artist-related merchandise.

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

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

Selling and Marketing Expenses

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

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

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

Notes:

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

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

General and Administrative Expenses

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

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

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

Notes:

- (1) Consisting primarily of service fees for business, legal, tax and other consultants in connection with our business operations, the Listing and the Global Offering.
- (2) Consisting primarily of expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan. We adopted our Share Incentive Plan on December 10, 2021. We granted 1,542,500 RSUs, 3,594,750 RSUs and 652,750 RSUs to eligible individuals on December 10, 2021, March 4, 2022 and December 20, 2022, respectively.
- (3) Consisting primarily of publicity and entertainment expenses in relation to our Listing, and residential special maintenance fund for the property acquired in 2023.

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

Net Impairment Losses on Financial Assets

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

Other Income

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

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

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

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

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

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

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

Share of Losses of Investment Accounted for Using the Equity Method

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

Fair Value Changes of Convertible Preferred Shares

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

Income Tax Expense

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

(Loss)/Profit for the year

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

Non-IFRS Measures

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

We define adjusted net profit as profit/(loss) for the year adjusted for (i) equity settled share-based payments, (ii) fair value changes of convertible preferred shares, (iii) listing expenses, (iv) interest expenses on redemption liabilities, (v) fair value changes of financial instrument and (vi) gain from disposal of an associate. Equity settled share-based payments consist of non-cash expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan. Fair value changes of convertible preferred shares reflect the changes in fair value of the Series A-1, A-2 and A-3 convertible preferred shares issued by our Company to certain shareholders on January 28, 2022. Listing expenses mainly include professional fees paid in relation to the Listing and the Global Offering. Interest expenses on redemption liabilities mainly refer to unwinding of interests on redemption liabilities in relation to the preferential rights that certain shareholders of Yuehua Limited are entitled to pursuant to a shareholders' agreement dated November 16, 2020. Gain on disposal of an associate represents

the gain from sale of our equity interest in an associate. We define adjusted net profit margin as adjusted net profit divided by revenue. The table below sets forth our adjusted net profit and adjusted net profit margin for the years indicated.

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

Financial Assets at Fair Value Through Profit or Loss

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

Our financial assets at fair value through profit or loss decreased by 31.4% from RMB335.8 million as of December 31, 2022 to RMB230.5 million as of December 31, 2023, primarily due to the redemption of wealth management products during the Reporting Period.

Trade Receivables

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

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

Prepayments and Other Receivables

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

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

Investments Measured at Amortized Cost

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

Restricted Cash

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

Trade Payables

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

Other Payables and Accruals

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

Financial Liabilities at Fair Value Through Profit or Loss

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

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

Contract Liabilities

Our contract liabilities increased by 23.3% from RMB160.2 million as of December 31, 2022 to RMB197.6 million as of December 31, 2023, primarily due to an increase in advances from newly secured commercial contracts during the Report Period.

Financial Position, Liquidity and Capital Resources

We have historically funded our cash requirements principally from cash generated from our business operations. After the Global Offering, we financed our capital requirements through cash generated from our business operations, the net proceeds from the Global Offering, and other future equity or debt financings. We currently do not anticipate any material changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB528.7 million and RMB613.4 million as of December 31, 2022 and 2023, respectively. As of December 31, 2023, we had restricted cash of RMB12.3 million.

We had borrowings of RMB66.3 million and RMB266.2 million as of December 31, 2022 and 2023, respectively. During the Report Period, our borrowings consist of (i) RMB66.2 million, which were denominated in KRW, in relation to our secured loan from a Korean bank for the purchase of Yuehua Korea's office building in Korea in 2019 and (ii) RMB200.0 million in relation to our secured loan from Chinese banks for the acquisition of property in China. Please refer to the section headed "Acquisition of the Property" for details. As of December 31, 2023, our borrowings were secured by certain property, plant and equipment and investment properties with floating interest rates of 2.76% to 5.23% per annum. Our Group does not have any interest rate hedging policy as of the date of this announcement.

We intend to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, our policy is to regularly monitor our liquidity risk and to maintain adequate liquid assets including cash and cash equivalents or to retain adequate financing arrangements to meet our liquidity requirements.

Gearing Ratio

Gearing ratio is calculated based on our total debt divided by our total equity as of the same dates and multiplied by 100%. Gearing ratio is not applicable as of December 31, 2022 because we recorded a total deficit as of December 31, 2022, primarily due to the recognition of convertible preferred shares we issued on January 28, 2022 as financial liabilities at fair value through profit or loss. Our gearing ratio was 21.1% as of December 31, 2023.

Acquisition of the Property

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

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

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

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

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

Significant Investments Held

Save as disclosed in this announcement, 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 announcement, as of December 31, 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.

Employee and Remuneration Policy

The following table sets forth the numbers of our employees dedicated to our business and operations categorized by function as of December 31, 2023.

Function	Number of Employees	% of Total
Artist operation	45	20.9%
Artist training	32	14.9%
Artist promotion	23	10.7%
Music and Pan-entertainment Business	65	30.2%
Administration	50	23.3%
Total	215	100.0%

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

Our Company also has a pre-IPO employee share incentive plan.

The total employee benefit expenses, including share-based payments, for the year ended December 31, 2023 were RMB164.2 million, as compared to RMB160.2 million for the year ended December 31, 2022, representing a year-on-year increase of 2.5%.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of the entities of our Group. The functional currency of our Company is HKD and our Company is exposed to foreign currency risk with respect to our Company's monetary assets and liabilities denominated in RMB and USD. The functional currency of our subsidiaries that operate in the PRC is RMB and such PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets and liabilities denominated in USD. Since balances denominated in USD are reasonably stable with HKD under the Linked Exchange Rate System, our directors are of the opinion that our Company is not exposed to significant foreign exchange risk and that the exposure to fluctuation in exchange rates will only arise from the translation to RMB, the presentation currency of our Group. During the Reporting Period, our net exchange losses remained relatively stable at RMB6.0 million, as compared to net exchange losses of RMB5.4 million for the year ended December 31, 2022. We currently have no hedging policy with respect to foreign exchange risks. Therefore, we have not entered into any hedging transactions to manage potential fluctuation in foreign currencies. We will closely monitor our foreign exchange risks and will utilize appropriate financial tools for hedging purposes when necessary to help reduce foreign exchange risk.

Pledge of Assets

As of December 31, 2023, certain property, plant and equipment, investment properties and certificate of deposit of our Group with an aggregate carrying value of RMB115.7 million were pledged to secure the bank borrowings of our Group.

Treasury Policy

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

Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities or guarantees.

Subsequent Events After the Reporting Period

As of the date of this announcement, there were no other significant events that might affect our Group since December 31, 2023.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
	Note	2023	2022
		RMB'000	RMB'000
Revenue	4	755,681	980,254
Cost of revenue	5	(580,646)	(617,168)
Gross profit		175,035	363,086
Selling and marketing expenses	5	(38,550)	(37,611)
General and administrative expenses	5	(134,214)	(119,494)
Net impairment losses on financial assets		(8,678)	(7,715)
Other income	6	22,811	3,901
Other gains, net	7	14,707	10,044
Operating profit		31,111	212,211
Finance income	8	35,511	6,597
Finance costs	8	(3,997)	(6,306)
Finance income, net		31,514	291
Share of losses of investments accounted for using the equity method		(7,171)	(3,062)
Fair value changes of convertible preferred shares		(160,524)	1,581,992
(Loss)/profit before income tax		(105,070)	1,791,432
Income tax expense	9	(37,518)	(66,247)
(Loss)/profit for the year		(142,588)	1,725,185
(Loss)/profit attributable to:			
Owners of the Company		(140,837)	1,724,470
Non-controlling interests		(1,751)	715
		(142,588)	1,725,185
Other comprehensive (loss)/income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		1,448	(870)
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		69,969	(119,333)
Total comprehensive (loss)/income for the year		(71,171)	1,604,982
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(69,962)	1,604,470
Non-controlling interests		(1,209)	512
		(71,171)	1,604,982
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)	10		
Basic		(0.17)	3.72
Diluted		(0.17)	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

		As at December 31,	
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		266,167	66,276
Lease liabilities		6,484	5,841
Financial liabilities at fair value through profit or loss		–	774,964
Contract liabilities		24,576	30,636
Deferred income tax liabilities		1,737	–
		<u>298,964</u>	<u>877,717</u>
Current liabilities			
Trade payables	15	149,603	190,619
Other payables and accruals		52,268	49,696
Financial liabilities at fair value through profit or loss		–	128,884
Contract liabilities		173,054	129,596
Current income tax liabilities		40,921	60,358
Lease liabilities		6,971	2,254
		<u>422,817</u>	<u>561,407</u>
Total liabilities		<u>721,781</u>	<u>1,439,124</u>
Total equity and liabilities		<u>2,044,926</u>	<u>1,322,271</u>

NOTES TO THE FINANCIAL INFORMATION

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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

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

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

2. BASIS OF PREPARATION

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

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

(a) New and amended standards adopted by the Group

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

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

(b) New and amended standards and interpretations not yet adopted by the Group

The following new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2023 and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

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

3 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 years ended December 31, 2023 and 2022, all of the Group's revenues are from contracts with customers.

During the years ended December 31, 2023 and 2022, the Group's non-current assets other than financial instruments and deferred income tax assets were located in Mainland China and Korea as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Mainland China	524,377	41,831
Korea	107,833	105,608
	632,210	147,439

4 REVENUES

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Artist management	662,878	851,604
Music IP production and operation	70,299	98,610
Pan-entertainment business	22,504	30,040
	<u>755,681</u>	<u>980,254</u>

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

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue at a point in time	243,885	243,490
Revenue over time	511,796	736,764
	<u>755,681</u>	<u>980,254</u>

During the years ended December 31, 2023 and 2022, there were no customers who contributed to 10% or more of the total revenue of the Group.

Contract liabilities of the Group represent non-refundable advanced payments received from the customers for services that have not yet been transferred to the customers. Changes in the balances of such liabilities during the years ended December 31, 2023 and 2022 was mainly due to fluctuations in sales with advanced payments.

The following table shows how much of the revenue is recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was included in contract liabilities at the beginning of each of the year	<u>89,234</u>	<u>194,040</u>

The amount of transaction prices allocated to the remaining unsatisfied or partially unsatisfied performance obligations during the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Amount expected to be recognized as revenue:		
– Within one year	173,054	129,596
– More than one year but less than two years	24,576	30,636
	197,630	160,232

As a practical expedient permitted under IFRS 15, the above balances do not include any estimated amounts of variable consideration that are constrained and not included in the transaction prices.

5 EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue sharing for artist management business	374,470	431,820
Equity settled share-based payments	92,187	91,113
Employee benefits expenses other than equity settled share-based payments	72,011	69,066
Production costs of music content	49,014	46,632
Artist promotion costs	47,430	41,695
Production costs of concert	23,958	–
Listing expenses	11,468	28,841
Advertising and promotion expenses	9,091	8,285
Travelling expenses	8,171	5,493
Depreciation of property, plant and equipment	7,682	6,848
Depreciation of right-of-use assets	6,958	5,321
Professional fees	6,406	3,177
Taxes and surcharge	5,270	2,832
Artist-related merchandise	4,359	4,125
Rental expenses for short-term and low-value leases	2,558	2,073
Amortization of intangible assets	835	1,907
Depreciation of investment properties	184	188
Auditor's remuneration		
– Audit services (excluding listing expenses)	3,000	1,800
– Non-audit service	2,308	–
Others	26,050	23,057
Total cost of revenue, selling and marketing expenses, and general and administrative expenses	753,410	774,273

6 OTHER INCOME

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Tax credit of input tax additional deduction	686	3,009
Government subsidies	21,647	314
Rental income from investment properties	478	578
	<u>22,811</u>	<u>3,901</u>

During the year ended December 31, 2023, the Group received unconditional subsidies which was granted by the local government in recognition of the Group's contributions.

7 OTHER GAINS, NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Fair value gains from wealth management products (Note 12)	4,306	12,949
Net exchange losses	(6,016)	(5,424)
Fair value gains from a listed entity (Note 12)	215	2,716
Fair value gains from unlisted entities (Note 12)	10,500	–
Net gains/(losses) on disposal of property, plant and equipment	44	(218)
Fair value gains from unlisted funds (Note 12)	3,487	–
Net gains on disposal of right-of-use assets	–	21
Gains on disposal of an associate	2,171	–
	<u>14,707</u>	<u>10,044</u>

8 FINANCE INCOME/(COSTS) – NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Finance income		
– Interest income from bank deposits	21,186	6,323
– Interest income from investments measured at amortized cost	14,325	–
– Interest income from loans to third parties	–	274
	<u>35,511</u>	<u>6,597</u>
Finance costs		
– Interest expenses on bank borrowings	(3,377)	(2,511)
– Interest expenses on lease liabilities	(620)	(389)
– Interest expenses on redemption liabilities	–	(3,406)
	<u>(3,997)</u>	<u>(6,306)</u>
Finance income – net	<u>31,514</u>	<u>291</u>

9 INCOME TAX EXPENSE

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	36,209	61,861
– Hong Kong profits tax	6	–
– Korea corporate income tax	–	5,498
Deferred income tax	<u>1,303</u>	<u>(1,112)</u>
Income tax expense	<u><u>37,518</u></u>	<u><u>66,247</u></u>

10 (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2023 and 2022.

In determining the weighted average number of ordinary shares deemed to be in issue during the years ended December 31, 2023 and 2022, 463,200,000 shares, being the number of ordinary shares issued by the Company on June 10, 2021 (date of incorporation), and the capitalization issue and shares vesting under restricted share unit scheme that took place during the year ended December 31, 2023, were both considered when computing the basic and diluted earnings per share for the years ended December 31, 2023 and 2022.

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

(a) Basic (loss)/earnings per share

	Year ended December 31,	
	2023	2022
(Loss)/profit attributable to owners of the Company (<i>RMB'000</i>)	(140,837)	1,724,470
Weighted average number of ordinary shares in issue	<u>820,140,478</u>	<u>463,200,000</u>
Basic (loss)/earnings per share (<i>RMB</i>)	<u><u>(0.17)</u></u>	<u><u>3.72</u></u>

(b) Diluted (loss)/earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares pursuant to the convertible preferred shares, which were deemed to have been allotted and issued on January 1, 2021 as if the Company had been incorporated by then, and taking into account the capitalization issue that took place in January 2023.

During the year ended December 31, 2022, restricted shares granted are contingently issuable shares and have therefore been excluded in the calculation of diluted earnings per share as the relevant conditions for the issuance of these shares have not been satisfied.

During the year ended December 31, 2023, the Group incurred losses and the potential ordinary shares were not included in the calculation of the diluted loss per share as they are anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2023 is the same as basic loss per share.

	Year ended December 31,	
	2023	2022
(Loss)/profit attributable to owners of the Company (RMB'000)	(140,837)	1,724,470
Adjustment for interest expenses on redemption liabilities and fair value changes of convertible preferred shares (RMB'000)	–	(1,578,586)
(Loss)/profit used to determine diluted earnings per share (RMB'000)	(140,837)	145,884
Weighted average number of ordinary shares in issue	820,140,478	463,200,000
Adjustment for convertible preferred shares	–	249,300,000
	820,140,478	712,500,000
	<hr/>	<hr/>
Diluted (loss)/earnings per share (RMB)	(0.17)	0.20
	<hr/> <hr/>	<hr/> <hr/>

11 DIVIDENDS

The Board of Directors did not recommend the payment of final dividends for the year ended December 31, 2023.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Interim dividends declared and settled by the Company to its ordinary shareholders	–	202,053
Interim dividends declared and paid by the Company to its ordinary shareholders	–	57,898
Dividends declared and paid by the Company to the holders of convertible preferred shares	–	139,369
	<hr/>	<hr/>
	–	399,320
	<hr/> <hr/>	<hr/> <hr/>

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Current portion		
Investments in wealth management products (a)	107,000	290,265
Non-current portion		
Investments in unlisted funds (b)	68,418	–
Investments in unlisted entities (c)	40,157	30,831
Investment in a listed entity (d)	14,930	14,715
	<u>123,505</u>	<u>45,546</u>
	<u>230,505</u>	<u>335,811</u>

(a) *Investments in wealth management products*

Movement of investments in wealth management products is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	290,265	446,265
Additions	70,000	741,000
Disposals	(257,571)	(909,949)
Fair value changes (<i>Note 7</i>)	4,306	12,949
	<u>107,000</u>	<u>290,265</u>

In 2023, the Group invested in structure deposits with guaranteed principal and floating return at total cash consideration of RMB70,000,000. These structure deposits were matured in 2023.

As at December 31, 2022 and 2023, the balance represented investments related to acquisition of principal-guaranteed and interest-bearing transferrable certificate of deposits issued by a large and reputable PRC commercial bank. The investments of RMB107,000,000 have been received in January 2024.

None of the aforesaid individual investments exceeds a value of 5% or more of the Group's total assets as at December 31, 2023.

(b) Investments in unlisted funds

Movement of investments in unlisted funds is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	–	–
Additions	64,581	–
Fair value changes (Note 7)	3,487	–
Currency translation differences	350	–
	<u>68,418</u>	<u>–</u>
At the end of the year	<u>68,418</u>	<u>–</u>

During the year ended December 31, 2023, the Group's additions of investments in unlisted funds included:

- (i) Subscription and purchase of certain non-voting redeemable participant shares in the segregated portfolio of a fund at a cash consideration of approximately RMB61,581,000. Such investment is principal guaranteed with an annualized target return of 8% per annum; and
- (ii) Investment in a limited partnership without significant influence at a cash consideration of RMB3,000,000.

(c) Investments in unlisted entities

Movement of investments in unlisted entities is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	30,831	2,800
Additions	–	27,419
Fair value changes (Note 7)	10,500	–
Disposals	–	(800)
Currency translation differences	(1,174)	1,412
	<u>40,157</u>	<u>30,831</u>
At the end of the year	<u>40,157</u>	<u>30,831</u>

(d) *Investment in a listed entity*

Movement of investment in a listed equity security is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	14,715	–
Additions	–	11,999
Fair value changes (Note 7)	215	2,716
	<u>14,930</u>	<u>14,715</u>

13 **TRADE RECEIVABLES**

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables	126,052	152,754
Less: allowance for impairment	(30,365)	(22,814)
Trade receivables – net	<u>95,687</u>	<u>129,940</u>

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	77,102	76,307
3 to 6 months	9,381	28,559
6 months to 1 year	15,656	27,948
1 to 2 years	5,362	8,345
2 to 3 years	6,957	1,200
Over 3 years	11,594	10,395
	<u>126,052</u>	<u>152,754</u>

14 INVESTMENTS MEASURED AT AMORTIZED COST

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in debt instruments	304,315	89,327
Less: allowance for impairment	<u>(3,561)</u>	<u>(2,047)</u>
Investments in debt instruments – net	<u>300,754</u>	<u>87,280</u>

Movement of investments measured at amortized cost is analyzed as follows:

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	87,280	–
Additions	388,371	86,269
Disposals	(190,130)	–
Interest income	14,325	–
Currency translation differences	2,422	3,058
Impairment provision	<u>(1,514)</u>	<u>(2,047)</u>
At the end of the year	<u>300,754</u>	<u>87,280</u>

As at 31 December 2023, the balance represented the Group's investments in unsecured debt instruments issued by several independent third-party private companies primarily engaged in investment-related activities. These debt instruments carried an interest rate of 5.5% or 6% per annum and were due for repayment in total within one year.

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

In 2022, the Group invested in an unsecured bond from a public company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The bond bore interest at 6% per annum and matured on October 24, 2023. The debt instrument has been fully redeemed in March 2023.

15 TRADE PAYABLES

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

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	89,212	99,287
3 to 6 months	45,094	86,535
6 months to 1 year	4,300	2,399
Over 1 year	10,997	2,398
	<u>149,603</u>	<u>190,619</u>

16 SHARE-BASED COMPENSATION

The share-based compensation expenses recognized during the years ended December 31, 2023 and 2022 were summarized in the following table:

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Share-based compensation expenses for eligible individuals	<u>92,187</u>	<u>91,113</u>

Expected retention rate

The Group has to estimate the expected percentage of Grantees that will stay within the Group at the end of the vesting periods (the “**Expected Retention Rate**”) in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at December 31, 2023 and 2022, the Expected Retention Rate was assessed to be close to 100%.

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 C1 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code, except for a deviation from the code provision C.2.1 of part 2 of the CG Code, the roles of chairperson and chief executive officer of the Company are not separate and are both performed by Ms. DU Hua. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry to all the Directors, each of the Directors has confirmed that he/she has strictly complied with the required standards set out in the Model Code during the Reporting Period.

SCOPE OF WORK OF THE COMPANY'S AUDITORS ON THE RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this announcement were in agreement with the amounts set out in the audited consolidated financial statements of the Group for the year as tabled for approval by the board of directors on March 27, 2024. The work performed by the Company's auditor in this respect is not an assurance engagement. Accordingly, the Company's auditor does not express an opinion or an assurance conclusion in this announcement.

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

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

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

FINAL DIVIDEND

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

USE OF PROCEEDS

The Shares were listed on the Stock Exchange on January 19, 2023. The net proceeds from the Global Offering (following partial exercise of the Over-allotment Option) were approximately HK\$398.4 million after deducting underwriting commissions and other related expenses.

The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of December 31, 2023:

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

Note:

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

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

ANNUAL GENERAL MEETING

The AGM will be held on Friday, June 21, 2024. A notice convening the AGM will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.yuehuamusic.com and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, June 18, 2024 to Friday, June 21, 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, June 17, 2024.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.yuehuamusic.com. The annual report of the Company for the year ended December 31, 2023 containing all the information required by the Listing Rules will be published on the aforesaid websites and will be dispatched to the Shareholders in due course.

DEFINITIONS AND GLOSSARIES

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

“AGM”	the annual general meeting of the Company
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairlady”	the chairlady of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, Macau 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
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

“IP”	intellectual properties such as existing musical works, variety programs, movies, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new musical works, variety programs, drama series or movies
“Korea”	The Republic of Korea
“KRW”	Korean Republic won, the lawful currency of Korea
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on January 19, 2023
“Listing Date”	the date, namely January 19, 2023, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Macau”	The Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Over-allotment Option”	has the meaning ascribed to it in the Prospectus
“Prospectus”	the prospectus of the Company published on December 30, 2022
“Reporting Period”	the financial year ended December 31, 2023
“RMB” or “Renminbi”	the lawful currency of the PRC
“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
“Tianjin Yuehua”	Tianjin Yuehua Music and Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司), a limited liability company established in the PRC on August 1, 2011 and a wholly-owned subsidiary of Yuehua Limited
“US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“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 announcement, 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.

By order of the Board
YH Entertainment Group
DU Hua
*Executive Director, Chairlady of the Board
and Chief Executive Officer*

Hong Kong, March 27, 2024

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