

乐华娱乐集团

YH Entertainment Group
Annual Report

股份代號 Stock Code:02306

2024 年報

ANNUAL REPORT
YH ENTERTAINMENT GROUP



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

Mr. MENG Jun
Ms. YAO Lu (resigned on February 5, 2024)

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

Cricket Square, Hutchins Drive
PO Box 2681,
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 6006, 6/F, Building One
Yard 28, Chuangyuan Road
Chaoyang District, Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION (continued)

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
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

SHINEWING (HK) CPA Limited
Certified Public Accountants
17/F, Chubb Tower, Windsor House
311 Gloucester Road
Causeway Bay
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. As of December 31, 2024, we had 73 managed artists and 52 trainees enrolled in our trainee program. Leveraging their positive public images and popularity, our managed artists have played important roles in various popular productions, such as the movies “A Place Called Silence (默殺),” “Formed Police Unit (維和防暴隊)” and “Exhuma (破墓),” drama series “War of Faith (追風者)” and “Fangs of Fortune (大夢歸離),” documentary reality show “Exploring the unknown (探索新境),” and the variety programs “Go Fighting! (極限挑戰),” “Run for Time (全員加速中),” “Catch Me If You Can (城市捉迷藏),” “We Are The Champions (戰至巔峰)” and “Arena of Youth (年輕的戰場).”

During the Reporting Period, we held our annual Yuehua Family Concert in Shanghai on August 24, 2024, with feature performances by our managed artists, delivering an unforgettable experience to our audience. Several of our managed artists successfully held their concerts during the Reporting Period, including Mr. Wang Xi’s (王晰) nationwide concert tour and Ms. Meng Meiqi’s (孟美岐) solo concerts. In addition, to further facilitate the interaction between our managed artists and audience, several fan meetings and album signing events in promotion of the new release of digital singles and albums were held for our managed artist Mr. Tang Jiuzhou (唐九洲) and our managed artist groups, Boyhood and Loong9.

We are also dedicated to the development of our music IP production and operation business. During the Reporting Period, we successfully released 12 digital singles and 12 digital albums covering a diverse range of genres, which enjoyed widespread popularity.

To maintain our leading position in the area of virtual artists and pan-entertainment market, on April 19, 2024, Yuehua Limited, a wholly owned subsidiary of the Company, entered into a series of transactions with the Vendors to acquire the target assets in relation to the operation of certain virtual artist projects, including the A-SOUL project. For details, please refer to the announcements published by the Company on April 19, 2024 and July 16, 2024. With the increasing popularity of A-SOUL across China among young internet users, it is critical for the Group to keep pace with the development of internet services and information technology, which serves as the underlying technology of developing the virtual artists, so as to continually enhancing our market exposure and participation in the area of virtual artists. We believe that the acquisition of the target assets will more efficiently boost the Company’s general capability in further developing the virtual artists and exploring more market opportunities.

Our total revenue increased from RMB755.7 million for the year ended December 31, 2023 to RMB764.5 million during the Reporting Period, primarily due to the increase of revenue generated from artist management. Accordingly, we recorded profit of RMB44.3 million during the Reporting Period, compared to loss of RMB142.6 million for the year ended December 31, 2023, primarily because we incurred fair value loss of convertible preferred shares of RMB160.5 million for the year ended December 31, 2023, while we did not record any such fair value change during the Reporting Period.

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 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
	2024		2023		
	Amount	% of total revenue	Amount	% of total revenue	
	(RMB in thousands, except for percentages)				
Artist management	694,570	90.9%	662,878	87.7%	4.8%
Music IP production and operation	42,212	5.5%	70,299	9.3%	(40.0%)
Pan-entertainment business	27,756	3.6%	22,504	3.0%	23.3%
Total Revenue	764,538	100.0%	755,681	100.0%	1.2%

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.

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 increased by 4.8% from RMB662.9 million for the year ended December 31, 2023 to RMB694.6 million during the Reporting Period, primarily due to an increase of revenue generated from commercial activities our managed artists participated in.

The gross profit for artist management decreased by 3.6% from RMB132.0 million for the year ended December 31, 2023 to RMB127.3 million during the Reporting Period. The gross profit margin for our artist management business slightly decreased from 19.9% for the year ended December 31, 2023 to 18.3% during the Reporting Period, primarily due to an increase in the cost for artist management.

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 December 31, 2024, we had built an extensive music IP library comprising more than 1,300 musical works we produced for our managed artists. During the Reporting Period, we released 12 digital singles and 12 digital albums, comprising 60 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 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 for licensing fees and royalties.

The revenue we generated from music IP production and operation business decreased by 40.0% from RMB70.3 million for the year ended December 31, 2023 to RMB42.2 million during the Reporting Period, primarily due to the decrease in revenue generated from music streaming platforms.

The gross profit for our music IP production and operation business decreased by 47.5% from RMB28.4 million for the year ended December 31, 2023 to RMB14.9 million during the Reporting Period. The gross profit margin for our music IP production and operation business decreased from 40.4% for the year ended December 31, 2023 to 35.4% during the Reporting Period, primarily because 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 generated 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.

As an integral part of our pan-entertainment business and to further explore the market opportunity of A-SOUL and efficiently utilize related assets we acquired from the Vendors, our subsidiary, Yuehua Limited, entered into a business cooperation agreement with Nice Future in connection with the operation of the target business, pursuant to which Nice Future and one of its wholly owned subsidiaries shall be exclusively authorized by Yuehua Limited to operate and manage related interests in A-SOUL and other virtual artists owned by Yuehua Limited. Nice Future has been an important market player in the areas of virtual artist operation with accumulated experiences over the years. We believe that the cooperation with Nice Future could not only benefit our Company, but also facilitate the professional and satisfactory operation of A-SOUL by Nice Future given its track record in developing and operating virtual artists. For details, please refer to the announcements published by the Company on April 19, 2024 and July 16, 2024, respectively.

The revenue we generated from pan-entertainment business increased by 23.6% from RMB22.5 million for the year ended December 31, 2023 to RMB27.8 million during the Reporting Period, primarily due to an increase of revenue generated from virtual artist business.

The gross profit for our pan-entertainment business decreased by 5.5% from RMB14.6 million for the year ended December 31, 2023 to RMB13.8 million during the Reporting Period. The gross profit margin for our pan-entertainment business decreased from 65.1% for the year ended December 31, 2023 to 49.7% during the Reporting Period, primarily due to an increase in amortization charge in relation to A-SOUL.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

We will continue to explore more opportunities in the development of virtual artist to further diversify our offerings for pan-entertainment business. We also plan to further diversify our business model and build a comprehensive culture and entertainment platform. Going forward, we will keep pace with the market trends in the virtual artist industry and continually optimize our offerings.

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 regions across the world during the Reporting Period. 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 continued to explore the overseas markets and promote our managed artists globally. Movies starring Mr. Wang Yibo (王一博), such as "One and Only (熱烈)," "Formed Police Unit (維和防暴隊)," "Hidden Blade (無名)," and "Born to Fly (長空之王)" were distributed in Korea, Australia, New Zealand, the United Kingdom, Ireland and Japan. The documentary reality show "Exploring the unknown (探索新境)" starring Mr. Wang Yibo was released on Discovery channel and steaming platforms Max on December 28, 2024. TV series starring Mr. Bi Wenjun (畢雯珺), such as Link Click (時光代理人) and Treasures Around (珠玉在側) were released to Canada and Korea in July and September 2024, respectively. These series, movies and shows have been widely popular since their international distribution.

We further expanded our footprint into American entertainment market by leveraging our subsidiary in the United States, YH Entertainment USA. During the Reporting Period, we made endeavors to select and enroll qualified artists as our managed artists under YH Entertainment USA to explore our market opportunity and enhance our brand exposure globally. 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 increased by 1.2% from RMB755.7 million for the year ended December 31, 2023 to RMB764.5 million during the Reporting Period, primarily due to an increase in revenue generated from artist management.

The revenue we generated from artist management business increased by 4.8% from RMB662.9 million for the year ended December 31, 2023 to RMB694.6 million during the Reporting Period, primarily because an increase of revenue generated from commercial activities our managed artists participated in.

The revenue we generated from music IP production and operation business decreased by 40.0% from RMB70.3 million for the year ended December 31, 2023 to RMB42.2 million during the Reporting Period, primarily due to a decrease in revenue generated from licensing our music IPs to our cooperating music streaming platforms and other music service providers.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The revenue we generated from pan-entertainment business increased by 23.3% from RMB22.5 million for the year ended December 31, 2023 to RMB27.8 million during the Reporting Period, primarily due to an increase of revenue generated from virtual artist business.

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
	2024		2023		
	Amount	%	Amount	%	
	(RMB in thousands, except for percentages)				
Revenue sharing for artist management business	423,319	69.6%	374,470	64.5%	13.0%
Artist promotion costs	54,734	9.0%	47,430	8.2%	15.4%
Production costs of music content	30,566	5.0%	49,014	8.4%	(37.6%)
Employee benefits expenses	14,987	2.5%	14,679	2.5%	2.1%
Amortisation of intangible assets ⁽¹⁾	6,701	1.1%	613	0.1%	993.1%
Equity settled share-based payments ⁽²⁾	30,226	5.0%	53,707	9.2%	(43.7%)
Production costs of concert	24,558	4.0%	23,958	4.1%	2.5%
Others ⁽³⁾	23,396	3.8%	16,775	3.0%	39.5%
Total	608,487	100.0%	580,646	100.0%	4.8%

Notes:

- (1) Consisting primarily of amortization of music IP procurement expenses.
- (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 on third-party e-commerce platforms.

Our cost of revenue increased by 4.8% from RMB580.6 million for the year ended December 31, 2023 to RMB608.5 million during the Reporting Period, primarily attributable to an increase in the cost incurred for artist management, which was partially offset by a decrease in equity settled share-based payments made to eligible participants under our Share Incentive Plan during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded (i) a gross profit of RMB175.0 million and RMB156.1 million in 2023 and 2024, respectively, and (ii) a gross profit margin of 23.2% and 20.4% in 2023 and in 2024, 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,			
	2024		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)			
Artist management	127,342	18.3%	131,981	19.9%
Music IP production and operation	14,925	35.4%	28,409	40.4%
Pan-entertainment business	13,784	49.7%	14,645	65.1%
Total/Overall	156,051	20.4%	175,035	23.2%

The gross profit for artist management decreased by 3.6% from RMB132.0 million for the year ended December 31, 2023 to RMB127.3 million during the Reporting Period. The gross profit margin for our artist management business slightly decreased from 19.9% for the year ended December 31, 2023 to 18.3% during the Reporting Period, primarily due to an increase in the cost for artist management.

The gross profit for our music IP production and operation business decreased by 47.5% from RMB28.4 million for the year ended December 31, 2023 to RMB14.9 million during the Reporting Period. The gross profit margin for our music IP production and operation business decreased from 40.4% for the year ended December 31, 2023 to 35.4% during the Reporting Period, primarily because 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 5.5% from RMB14.6 million for the year ended December 31, 2023 to RMB13.8 million during the Reporting Period. The gross profit margin for our pan-entertainment business decreased from 65.1% for the year ended December 31, 2023 to 49.7% during the Reporting Period, primarily due to an increase in amortization charge in relation to A-SOUL.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Selling and Marketing Expenses

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

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

	For the year ended December 31,				Year-on- Year change
	2024		2023		
	Amount	%	Amount	%	
	(RMB in thousands, except for percentages)				
Employee benefits expenses	28,187	47.7%	24,036	62.4%	17.3%
Advertising and promotion expenses	17,031	28.8%	9,091	23.6%	87.3%
Rental expenses	2,236	3.9%	247	0.6%	805.3%
Traveling expenses	250	0.4%	500	1.3%	(50.0%)
Equity settled share-based payments ⁽¹⁾	2,109	3.6%	3,640	9.4%	(42.1%)
Others ⁽²⁾	9,226	15.6%	1,036	2.7%	790.5%
Total	59,039	100.0%	38,550	100.0%	53.1%

Notes:

- (1) Consisting primarily of expenses arising from granting RSUs to eligible individuals under our Share Incentive Plan.
- (2) Consisting primarily of depreciation of property, plant and equipment and expenses for office supplies.

Our selling and marketing expenses increased by 53.1% from RMB38.6 million for the year ended December 31, 2023 to RMB59.0 million during the Reporting Period, primarily due to the increase in advertising and promotional expenses and employee benefits expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 buildings in China and Korea and intangible assets, (iv) taxes and surcharges, (v) professional and consulting fees, (vi) traveling expenses, (vii) equity settled share-based payments, and (viii) auditor's remuneration.

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

	For the year ended December 31,				Year-on- Year change
	2024		2023		
	Amount	%	Amount	%	
	(RMB in thousands, except for percentages)				
Employee benefits expenses	31,155	33.1%	33,296	24.8%	(6.4%)
Listing expenses	–	–	11,468	8.5%	(100.0%)
Depreciation and amortization	10,941	11.6%	11,914	8.9%	(8.2%)
Taxes and surcharges	7,115	7.6%	5,270	3.9%	35.0%
Professional and consulting fees ⁽¹⁾	8,875	9.3%	6,343	4.7%	39.9%
Traveling expenses	1,333	1.4%	2,559	1.9%	(47.9%)
Equity settled share-based payments ⁽²⁾	18,997	20.2%	34,840	26.0%	(45.5%)
Auditor’s remuneration	1,651	1.8%	5,308	4.0%	(68.9%)
Others ⁽³⁾	14,080	15.0%	23,216	17.3%	(39.4%)
Total	94,147	100.0%	134,214	100.0%	(29.9%)

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.
- (3) Consisting primarily of rental expenses for short-term leases, office supplies and other miscellaneous expenses.

Our general and administrative expenses decreased by 29.9% from RMB134.2 million for the year ended December 31, 2023 to RMB94.1 million during the Reporting Period, primarily due to the decrease in share-based payments settled in equity and listing expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Net Reversal of Impairment Losses/(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 RMB8.7 million in 2023 while we recorded net reversal of impairment losses on financial assets of RMB2.8 million in 2024, 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 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 in absolute amounts and as a percentage of our total other income for the years indicated.

	For the year ended December 31,	
	2024	2023
	(RMB in thousands)	
Government subsidies	19,699	21,647
Tax credit of input tax additional deduction	–	686
Rental income from investment properties	221	478
Total	19,920	22,811

Other Gains, Net

Our other gains primarily comprise (i) fair value gains from wealth management products, (ii) fair value losses or gains from unlisted equity security, (iii) net fair value gains from unlisted funds, (iv) gains on disposal of associates in relation to sale of our equity interest in associates and (v) net exchange gains or losses. Our other gains, net in 2024 were RMB29.0 million, compared with net other gains of RMB14.7 million in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

	For the year ended December 31,	
	2024	2023
	(RMB in thousands)	
Fair value gains from wealth management products	303	4,306
Net exchange gains/(losses)	30,472	(6,016)
Fair value gains from a listed entity	–	215
Fair value (losses)/gains from unlisted entities	(8,090)	10,500
Fair value gains from unlisted funds	5,454	3,487
Net gains on disposal of property, plant and equipment	431	44
Net gains on early termination of right-of-use assets	1,033	–
Others	(561)	2,171
	29,042	14,707

Finance Income, 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 decreased from RMB31.5 million for the year ended December 31, 2023 to RMB17.6 million during the Reporting Period, primarily due to the decrease in the interest of wealth management products as a result of redemption.

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 decreased from RMB7.2 million for the year ended December 31, 2023 to RMB2.0 million during the Reporting Period, primarily due to a decrease in losses incurred by our associate companies.

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. 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. During the Reporting Period, no fair value changes of convertible preferred shares was recorded.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Income Tax Expense

Our income tax expense in 2024 was RMB25.9 million. Our effective tax rate was approximately 36.9% in 2024.

Profit/(Loss) for the year

As a result of the foregoing, we recorded profit of RMB44.3 million in 2024, as compared to the loss of RMB142.6 million in 2023.

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) fair value changes of financial instrument, and (v) net losses/gains on deregistration/disposal of associates. 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. 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,	
	2024	2023
	(RMB in thousands, except for percentages)	
Profit/(Loss) for the year	44,317	(142,588)
Adjusted for:		
Equity settled share-based payments	51,332	92,187
Fair value changes of convertible preferred shares	–	160,524
Listing expenses	–	11,468
Fair value changes of financial instruments	2,636	(14,202)
Net losses/(gains) on deregistration/disposal of investments accounted for using equity method	1,761	(2,171)
Non-IFRS measures: Adjusted net profit	100,046	105,218
Adjusted net profit margin	13.1%	13.9%

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 bank, 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 62.3% from RMB230.5 million as of December 31, 2023 to RMB374.1 million as of December 31, 2024, primarily due to our investment in financial assets during the Reporting Period. As of the date of this report, part of such investment has been redeemed.

Trade Receivables

Our net trade receivables decreased by 24.9% from RMB95.7 million as of December 31, 2023 to RMB71.9 million as of December 31, 2024, primarily due to the decrease of the trade receivables incurred from music IP production business.

As at December 31, 2023 and 2024, we made allowance for impairment of trade receivables of approximately RMB30.4 million and RMB12.7 million, respectively, which we believe were sufficient as of the end of each year.

Prepayments and Other Receivables

Our prepayments decreased from RMB519.1 million as of December 31, 2023 to RMB40.2 million as of December 31, 2024, primarily due to the acquisition of property in Beijing in 2023 was converted into fixed assets in 2024.

Our other receivables increased by 125.7% from RMB15.9 million as of December 31, 2023 to RMB35.8 million as of December 31, 2024, primarily due to an increase in deductible input tax.

Investments measured at Amortized Cost

We had no investments measured at amortized cost as of December 31, 2024, as all financial assets measured at amortized cost have been redeemed.

Restricted Cash

We had restricted cash of RMB12.3 million as of December 31, 2024, as a result of our pledge of deposits as collateral for loans related to property purchases.

Trade Payables

Our trade payables increased by 35.5% from RMB149.6 million as of December 31, 2023 to RMB202.7 million as of December 31, 2024, primarily due to an increase in revenue sharing with managed artists, which is in line with the increase in revenue generated from artist management business.

Other Payables and Accruals

Our other payables and accruals decreased by 3.9% from RMB52.3 million as of December 31, 2023 to RMB50.2 million as of December 31, 2024, primarily due to the payment in the special maintenance fund for the acquired property in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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, 2024, 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 decreased by 3.5% from RMB197.6 million as of December 31, 2023 to RMB190.7 million as of December 31, 2024, primarily due to a decrease in advance payments received from music IP licensing.

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 finance 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 RMB613.4 million and RMB386.1 million as of December 31, 2023 and 2024, respectively. As of December 31, 2024, we had restricted cash of RMB12.3 million.

We had borrowings of RMB266.2 million and RMB162.3 million as of December 31, 2023 and 2024, respectively. During the Reporting Period, our borrowings consist of (i) RMB59.3 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) RMB103.0 million in relation to our secured loan from a Chinese bank for the acquisition of property in China. As of December 31, 2024, our borrowings were secured by certain property, plant and equipment and investment properties with floating interest rates of 2.76% to 5.23% per annum. Our Group does not have any interest rate hedging policy as of the date of this report.

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

Gearing Ratio

Gearing ratio is calculated based on our total debt divided by our total equity as of the same dates and multiplied by 100%. Our gearing ratio reduced to 11.8% as of December 31, 2024, primarily due to the early repayment of certain loans, compared with the gearing ratio of 21.1% as of December 31, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Significant Investments Held

On December 23, 2024, the Company entered into the Subscription Agreement with the Fund (the “**Subscription**”), pursuant to which the Company agreed to subscribe for the Class B shares attributable to the Fund, at a total subscription amount of HK\$102 million (inclusive of subscription fee), carrying a value of more than 5% of our Group’s total assets for the year ended December 31, 2024.

The principal purpose of the Subscription is to diversify the investment portfolio of the Company with an aim to enhancing its profitability. The Subscription provides an opportunity to the Company to enhance return by utilizing the idle cash of the Company at acceptable risk level. In light of the above, the Directors are of the view that the terms of the Subscription and transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

As one or more of the applicable percentage ratios under Rules 14.07 of the Listing Rules in respect of the Subscription exceeds 5% but not more than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to announcement and notification requirements but exempt from the Shareholders’ approval requirement under the Listing Rules. For details of the Subscription, please refer to the relevant announcements published by the Company on December 23, 2024 and January 14, 2025, respectively.

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

Future Plans for Material Investments and Capital Assets

Save as disclosed in this report, as of December 31, 2024, 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, 2024.

Function	Number of Employees	% of Total
Artist operation	46	22.2%
Artist training	36	17.4%
Artist promotion	32	15.5%
Music and Pan-entertainment Business	45	21.7%
Administration	48	23.2%
Total	207	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 Share Incentive Plan.

The total employee benefit expenses, including share-based payments to eligible individuals, during the Reporting Period were RMB125.7 million, as compared to RMB164.2 million for the year ended December 31, 2023, representing a year-on-year decrease of 23.4%.

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. During the Reporting Period, our net exchange gains were RMB30.5 million, as compared to net exchange loss of RMB6.0 million for the year ended December 31, 2023. 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, 2024, certain property, plant and equipment, investment properties and certificate of deposit of our Group with an aggregate carrying value of RMB555.2 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, 2024, we did not have any material contingent liabilities or guarantees.

Subsequent Events After the Reporting Period

As of the date of this report, there were no other significant events that might have material impact on our Group since December 31, 2024.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

Name	Age	Position	Time of appointment as a Director
Executive Directors			
Ms. DU Hua (杜華) ⁽¹⁾	43	Executive Director, Chairlady of the Board and Chief Executive Officer	June 2021
Mr. SUN Yiding (孫一丁) ⁽¹⁾	57	Executive Director and President	June 2021
Mr. SUN Le (孫樂)	44	Executive Director and Vice President	June 2021
Non-executive Director			
Mr. MENG Jun (孟鈞)	45	Non-executive Director	June 2023
Independent non-executive Directors			
Mr. FAN Hui (范輝)	47	Independent Non-executive Director	January 2023
Mr. LU Tao (呂濤)	59	Independent Non-executive Director	January 2023
Mr. HUANG Jiuling (黃九嶺)	53	Independent Non-executive Director	January 2023

Note:

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

DIRECTORS AND SENIOR MANAGEMENT (continued)

EXECUTIVE DIRECTORS

Ms. DU Hua (杜華), aged 43, is our founder, executive Director, the chairlady of the Board and the chief executive officer. Ms. Du was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022. Ms. Du is primarily responsible for the overall strategic planning and business direction and day-to-day management of our Group. She also holds directorship in a number of our subsidiaries¹.

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

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

Mr. SUN Yiding (孫一丁), aged 57, is our executive Director and President, primarily responsible for the operation and management of our Group. Mr. Sun joined the Group in May 2015. Mr. Sun was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022.

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

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

Mr. SUN Le (孫樂) (with former name as Gao Xiang (高翔)), aged 44, is our executive Director and Vice President. Since joining our Group in November 2009, Mr. SUN Le has been primarily responsible for establishing and maintaining customer relationship and marketing positioning. Mr. SUN Le was appointed as our Director on June 10, 2021, and re-designated as our executive Director on March 3, 2022. Mr. SUN Le joined our Group in November 2009, and he also serves as the vice general manager of Tibet Yuehua and Tianjin Yuehua, being subsidiaries of the Company, from November 2009 to January 2022.

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

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

DIRECTORS AND SENIOR MANAGEMENT (continued)

NON-EXECUTIVE DIRECTOR

Mr. MENG Jun (孟鈞), aged 45, was appointed as our non-executive Director since June 28, 2023, primarily responsible for providing professional advice, opinion and guidance to our Board.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FAN Hui (范輝), aged 47, was appointed as our independent non-executive Director on January 19, 2023, primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Fan has been serving as an independent director of Xuzhou Zm-besta Heavy Steel Structure Co., Ltd. (徐州中煤百甲重鋼科技股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 835857) since September 2021, and was appointed as an independent non-executive director of Great Wall Motor Company Limited (長城汽車股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2333) on June 16, 2023.

Mr. Fan has been working as an executive director of Beijing Quanfang Huitong Investment Management Co., Ltd. (北京全方匯通投資管理有限公司) since July 2018 and a supervisor of and the chief risk officer of Econowledge Capital Co., Ltd. (易科縱橫投資管理(北京)有限公司) since December 2015. From June 2020 to January 2024, Mr. Fan served as an independent director of Noble Family Wine and Liquor Co., Ltd. (名品世家酒業連鎖股份有限公司), a company listed on the National Equities Exchange And Quotations (the “NEEQ”) (stock code: 835961). From February 2022 to April 2023, Mr. Fan served as an independent director of Aura International Education Technology Co., Ltd. (北京光環國際教育科技股份有限公司), a company listed on the NEEQ (stock code: 838504). Prior to that, Mr. Fan consecutively served as a vice president and the director of the investment decision committee at Capital East Coast International (東海岸國際投資(北京)有限公司) from December 2012 to November 2015 and worked at JD Capital Co., Ltd. (昆吾九鼎投資管理有限公司) from May 2010 to November 2012. Mr. Fan served as a senior manager at Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing Branch (德勤華永會計師事務所(特殊普通合夥)北京分所) from June 2005 to April 2010 and an auditor at Pan-China Certified Public Accounts LLP (天健會計師事務所(特殊普通合夥)) from January 2001 to May 2005.

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

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

Mr. LU Tao (呂濤), aged 59, was appointed as our independent non-executive Director on January 19, 2023, primarily responsible for supervising and providing independent opinion and judgment to the Board. Mr. Lu had been an independent director of our Company's subsidiary, Yuehua Limited, from February 2021 to November 2021.

DIRECTORS AND SENIOR MANAGEMENT (continued)

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

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

Mr. HUANG Jiuling (黃九嶺), aged 53, was appointed as our independent non-executive Director on January 19, 2023, primarily responsible for providing independent opinion and judgment to the Board. Mr. Huang had been an independent director of our Company's subsidiary, Yuehua Limited, from February 2021 to November 2021.

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

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

SENIOR MANAGEMENT

Ms. DU Hua (杜華), aged 43, is the chairlady of our Board, executive Director and chief executive officer of our Company. For details of her biography, see "–Directors – Executive Directors".

Mr. SUN Yiding (孫一丁), aged 57, is the executive Director and president of our Company. For details of his biography, see "–Directors – Executive Directors".

Mr. SUN Le (孫樂) (former name: Gao Xiang (高翔)), aged 44, is the executive Director and vice president of our Company. For details of his biography, see "–Directors – Executive Directors".

Mr. ZHANG Wensheng (張文勝), aged 57, is our chief financial officer and joined our Group in June 2020. Mr. Zhang is primarily responsible for overseeing the financial operation, risk management and investor relations.

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

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

Mr. LEE Sang Kyu, aged 41, is our general manager of Korean business and joined our Group in September 2010. Mr. Lee is primarily responsible for overall operation and development of our Korean business.

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

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

DIRECTORS AND SENIOR MANAGEMENT (continued)

JOINT COMPANY SECRETARIES

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

Mr. CHUNG Ming Fai (鍾明輝), is a joint company secretary of our Company. He has over 20 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Since June 2022, Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange.

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

CHANGES TO DIRECTORS' INFORMATION

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

YH Entertainment Group and its subsidiaries (hereinafter referred to as “**YH Entertainment**,” “**the Group**,” “**we**,” “**us**,” or “**our**”) hereby publish the third Environmental, Social and Governance Report (hereinafter referred to as the “**Report**”) of the Group. We place great importance on Environmental, Social and Governance (hereinafter referred to as the “**ESG**”) matters. We actively implement ESG measures and continuously improve our ESG governance standards. The purpose of this ESG Report is to disclose to stakeholders the Group’s ESG-related efforts and achievements during 2024, and disclose key environmental and social performance indicators (hereinafter referred to as the “**KPIs**”), policies and measures.

Reporting Standards

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

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

Scope of Reporting

The Report covers the period from January 1, to December 31, 2024 (hereinafter referred to as the “**Year**” or “**Reporting Period**”). The scope of social disclosure of the Report is consistent with that of the Annual Report, and its scope of environmental disclosure is headquarters of YH Entertainment in Beijing which is the key source of revenue for the Group. For the governance work of the Group, please refer to the section headed “Corporate Governance Report” in this report.

Reporting Languages

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

Confirmation and Approval

After being confirmed by the management, the Report has been considered and approved by the Board of the Group on March 28, 2025.

Feedback on the Report

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

1. ESG MANAGEMENT

1.1 Statement of the Board

YH Entertainment recognizes that corporate social responsibility is vital to achieving long-term success in businesses. Accordingly, we have established an ESG governance structure to promote the sustainable development and continuously enrich and enhance corporate social responsibility work of the Group. The Board evaluates and manages material ESG matters and prioritizes materiality issues. The Board has authorized the establishment of ESG committee to oversee the Group's ESG work and outcomes. The ESG committee formulates and reviews ESG-related strategies, monitors ESG issues, and reports regularly to the Board. We have set environmental targets. During the Year, ESG training was provided to Directors. Meanwhile, we have also reviewed the progress of environmental targets. During the Year, greenhouse gas emission intensity and non-hazardous waste generation intensity decreased compared to the previous year, while other environmental indicators were higher than previous years. We will formulate and implement various environmental measures in line with the Group's operational development.

1.2 ESG Governance Structure

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

- Decision-making level: the Board
 - As the top decision-making level, the Board takes full responsibility for issues on ESG, including setting ESG targets. The Board has established ESG committee to carry out governance work on ESG;
 - The Board is responsible for supervising the implementation of the Group's policies on ESG issues, and identifies, assesses and manages the effects of ESG matters;
 - The Board is responsible for considering and approving annual ESG report.
- Organization level: ESG committee

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

 - ESG committee is responsible for reviewing ESG targets, strategies and internal policies as authorized by the Board;
 - Identifying ESG risks and opportunities, understanding and responding to stakeholders' opinions on ESG matters;
 - Reviewing and supervising policies, plans, management approach, working targets and other aspects relating to ESG, preparing ESG report, identifying climate-related risks and opportunities and regularly reporting to the Board.
- Implementation level: ESG working group
 - The implementation unit consists of Integrated Management Department, Internal Control and Management Department, etc. The relevant departments shall carry out relevant ESG work according to the management approach, strategies, plans, annual targets relating to ESG set by the Group;
 - The relevant departments must comply with policies and regulations on ESG, and collect relevant KPIs data;
 - Regularly report to ESG committee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

1.3 Stakeholder Engagement

YH Entertainment always pays attention to the voices and needs of stakeholders. We have identified various stakeholders and established multiple communication channels. Through an effective communication mechanism, we actively respond to stakeholders' opinions. We believe that robust communication with stakeholders will support the sustainable development of the Group and lay a solid foundation for future collaboration.

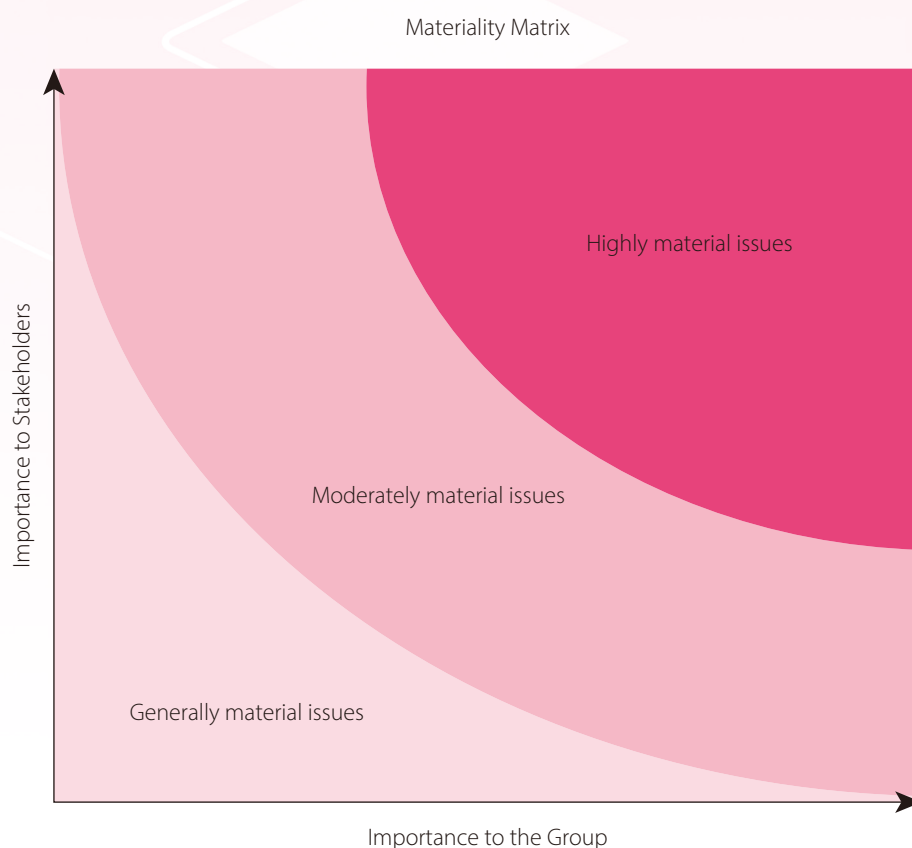
Significant stakeholders	Expectations and requirements	Communication channels	Communication frequency
Fans and customers (content producers, advertisers, corporate customers, etc.)	<ul style="list-style-type: none"> Users' experience 	Daily operation/communication; Social media interactions; Phone call; Mailbox	Irregular, multiple times a year Irregular, multiple times a year Irregular Regular check
Shareholders and investors	<ul style="list-style-type: none"> Protection of rights and interests of shareholders and investors; Prudent operation; Financial results; Long-term win-win cooperation relationship; Business development; Information transparency 	Regular disclosure of financial and operational information; Company's website; Corporate newsletter, such as letter/circular and meeting notice to shareholders; Shareholder visiting activity; Investor meeting; General meeting; Interim report and annual report; Results announcement; Senior management meeting	Multiple times a year, regular disclosure Regular disclosure Regular, multiple times a year Held on an irregular basis Held on an irregular basis Twice a year Twice a year Twice a year Regular, once a week
Staff	<ul style="list-style-type: none"> Employment compliance; Occupational health and safety; Staff training and development; Compensation and welfare; Favourable working environment; Work and life balance; Protection of staff rights and interests 	Channels for staff to express opinions (internal system, forms, suggestion boxes, etc.); Work performance appraisal; Job performance interview; Business briefing; Staff communication conference; Staff training	Irregular Regular Held on an ad hoc basis Held on an ad hoc basis Twice a year Irregular, multiple times a year
Business partners	<ul style="list-style-type: none"> Long-term win-win cooperation relationship 	Meeting; Visit	Irregular, multiple times a year Irregular, multiple times a year
Suppliers (managed artists)	<ul style="list-style-type: none"> Compliance with contracts Long-term cooperation 	Meeting and communication	Irregular, multiple times a year
Government/regulatory body	<ul style="list-style-type: none"> Compliance with laws and regulations; Tax payment as legally required 	Meeting; Visitor reception	Irregular Irregular
Media	<ul style="list-style-type: none"> Information transparency; Financial results 	Press conference; Press release; Interviews of senior management; Results announcement	Irregular, held on an ad hoc basis Irregular, release on an ad hoc basis Irregular, multiple times a year Held on a regular basis
Peers	<ul style="list-style-type: none"> Win-win cooperation 	Strategic cooperation project	Irregular, held on an ad hoc basis

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

1.4 MATERIALITY ASSESSMENT

We disclose the process and criteria for identifying material ESG issues based on the reporting principle of materiality, and the materiality issue database was built with reference to the Guide, industrial materiality issue database of Sustainability Accounting Standards Board (“SASB”) and peers’ examples. During the Year, there was no significant change in the Group’s business operations, and there was no significant change in the impact of the Group on stakeholders and the impact of stakeholders on the Group. Therefore, based on the results of materiality assessment by the senior management, we have confirmed and continued to use the results of materiality assessment for 2023. These results have been considered and confirmed by the Board.

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



Highly material issues	Moderately material issues	Generally material issues
<ul style="list-style-type: none"> - Greenhouse gas emissions - Waste management - Protection of employment rights and interests and welfare - Staff training and development - Staff health and safety - Employment criteria (such as equal opportunity and diversity) - Information security and privacy protection - Protection of intellectual property rights - Anti-corruption, anti-bribery - Community engagement and charity activities - Compliance operation 	<ul style="list-style-type: none"> - Tackling climate change - Water resource management - Material usage and efficiency - Business ethics 	<ul style="list-style-type: none"> - Energy management - Supplier management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

2. PROTECTING HIGH-QUALITY ENTERTAINMENT VALUE

2.1 Creating Diversified Entertainment Value

We are committed to delivering high-quality entertainment experiences and building a diversified entertainment ecosystem that creates value for artists, clients and media platforms. Throughout the process of promotion and development in entertainment industry, YH Entertainment always adheres to the core philosophy of creativity and vitality, as we are committed to becoming a brand with significant influence across the entertainment sector. In the past year, we established our own artist training center to further enhance the development capacity of core artists. We will further increase the quality and quantity of our managed artists. Leveraging our professional and systematic Yuehua trainee program, we will continue to expand our roster of trainees with artistic potential. On the premise of safeguarding the rights and interests of clients, artists and media platforms, we actively explore diversified forms of entertainment to enhance the overall value of the YH Entertainment brand and its artists.

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



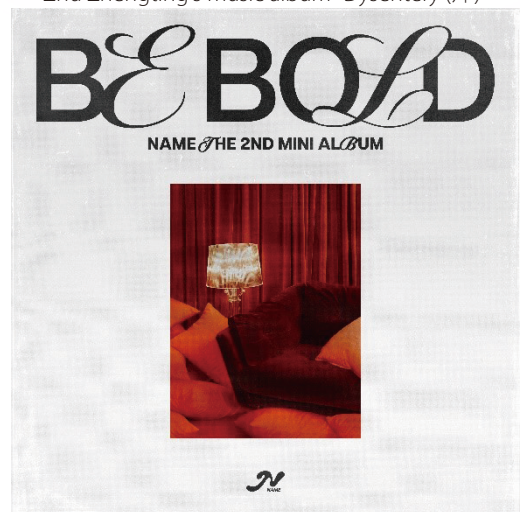
Wang Xi's music album "Unspoken (不说)"



Zhu Zhengting's music album "Dysentery (瘴)"

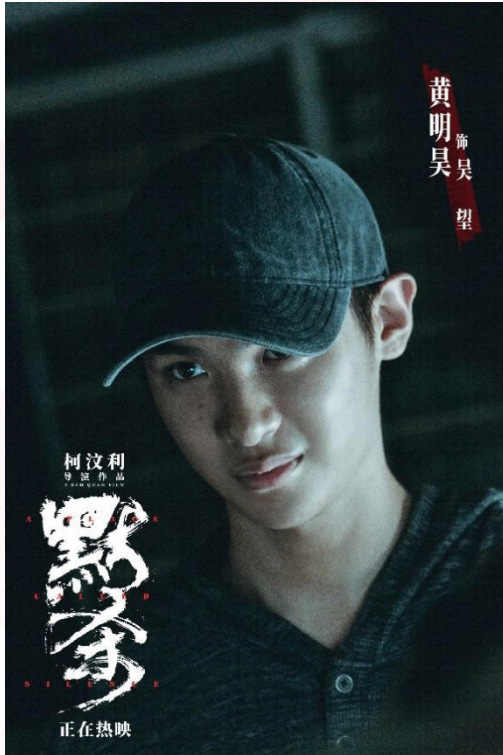


BOYHOOD's music album "Vacation"



NAME's music album "Be Bold"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)



Huang Minghao's film
"A Place Called Silence (默殺)"



Wang Yibo's TV series
"War of Faith (追風者)"



Cheng Xiao's TV series
"Fangs of Fortune (大夢歸離)"



Zhang Zijian's TV series
"Wind Direction (迎風的青春)"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)



Hu Chunyang's TV series
"Blossom In Adversity (惜花芷)"



Wu Xuanyi's variety program
"Catch Me If You Can (城市捉迷藏)"

In addition, there were also the following works:

- Wang Yibo's film "Formed Police Unit (維和防暴隊)", TV series "War of Faith (追風者)", documentary "Exploring the Unknown with Wang Yibo (探索新境)";
- Li Wenhan's film "You are by My Side (你在我身邊)", TV series "Strange Tales of Tang Dynasty: To the West (唐朝詭事錄之西行)", variety program "Like a Champion (像冠軍一樣)";
- Cheng Xiao's first mini album "1st GOLD", TV series "Fangs of Fortune (大夢歸離)";
- Wu Xuanyi's film "I love you to the moon and back Moonstruck (穿過月亮的旅行)", physical album "No, I love (不·愛了)", variety program "We Are The Champions (戰至巔峰)";
- Zhu Zhengting's TV series "Fire Country (烈焰)", "DASHING YOUTH (少年白馬醉春風)", variety program "Asia Super Young (亞洲超星團)";
- Huang Minghao's film "Reversed Destiny (沙漏)", "A Place Called Silence (默殺)" "Till Love Do Us Apart (假如·我是這世上最愛你的人)", variety program "Go Fighting Season 10 (極限挑戰第十季)", "I Love The Game (我在橫店打籃球)", "Action Plan Season 3 (全力以赴的行動派第三季)";
- Bi Wenjun's film "Be My Friend (我才不要和你做朋友呢)", TV series "Kill Me Love Me (春花焰)", "Treasures Around (珠玉在側)", "Link Click (時光代理人)";
- Huang Xinchun's TV series "LONG XING DA DA (龍行龔龔)", "Just in time to meet you (正好遇見你)", variety program "KEEP RUNNING (奔跑吧)", "YOUTH TRAVEL (青春環遊記)", "QI MIAO TONG GAO RI (奇妙通告日)", "TIAN JIAN DE SHAO NIAN (田間的少年)";

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

- Hu Chunyang's film "We are forever (我們永遠是我們)", TV series "Sunny Tomorrow (明日有晴天)";
- Tang Jiuzhou's TV series "The Best Thing (愛你)", variety program "Time Music Session (時光音樂會)", "My Little Family (我家那小子)", "Run For Time (全員加速中)", "A Journey For No.1 (跳進地理書的旅行)";
- Liu Jinyan's TV series "Snowy Night Timeless Love (七夜雪)";
- Li Jiajia's TV series "Embracing the Stars Together (奔赴星辰的我們)";
- Jin Zihan's variety program "Open Mic Tonight (今晚開放麥)", "Boe's Worry-Free Lab (BOE解憂實驗室)";
- LOONG9's first album "First Light";
- A-SOUL's music album "miracle in winter (冬日奇跡)", Jiaran's single "Di Jiang (帝江)", Bella's single "Gaze at your heart by my soul (我以靈魂注視你的心)", Eileen's single "A kiss in palm (掌中之吻)".

2.2 Excellent Entertainment Quality Management

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

We actively identify potential artists and trainees through various channels. We adhere to a strict selection process. Candidates must undergo due diligence and comprehensive analysis to ensure they possess good character, have no negative public image or illegal or criminal act or administrative penalty record, and hold a clear political stance. These criteria are our top priorities when selecting artists and trainees. For minor artists or trainees, we must obtain guardian consent prior to signing, and guardians must participate in throughout the contract negotiation process. In addition, we also ensure that trainees can receive and complete compulsory education to support their overall development. To ensure compliance operation, the Legal Department of the Group regularly provides legal knowledge training and guidance to staff involved in contract processing, ensuring all contracts and management processes meet the requirements under relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Regarding daily work and character management, artists must strictly adhere to schedules arranged by staff and complete all performance tasks punctually while guaranteeing both quality and quantity. We enforce strict requirements on artists' personal conduct. Artists are strictly prohibited from committing any act that is immoral, illegal or criminal. Artists shall not contact fans privately, accept gifts from fans, or exchange contact information with fans without permission. In addition, artists shall not engage in alcohol abuse or smoking in public places, during work hours or in open areas. To maintain high standards of professional ethics and corporate image, we have implemented detailed code of conduct, and supervised and managed artists' daily conduct. If there is any violation, the Group will take corresponding measures to handle the violation to ensure artists' conduct meet the Company's standards and social expectations.

To ensure the high quality of the product of music production, we have established a rigorous selection system for music producers, music tapes and cooperative musicians. We require suppliers to provide previous works or company profiles. The relevant department of the Group will comprehensively evaluate their quality. Evaluation criteria include industry reputation, professionalization and marketing capabilities. Qualified suppliers will be included in the selected supplier list, and we will selectively cooperate with them on music production in the future based on their ratings. When initiating a new music production project, we select copyright companies, producers, composers and lyricists according to the rating system. Every step of the whole music production process, including music arrangement, recording, post-production, mixing and mastering, will be closely monitored to ensure quality. We discuss on professional subjects on intonation, beat, mood of songs, frequency, etc. The producers and department heads will also consider artists' suggestions to ensure both artistic merit and market reception of works. Additionally, we continuously optimize and improve our music production workflow to ensure that each work meets high standards. After works being finished, the master tapes shall be delivered in a required format to ensure the quality of music compositions. These practices help us maintain high quality standards in music production while also further elevating our overall production capabilities.

We place great value on clients' comments and respond promptly to their feedback. Upon receiving client's comments on our artists, our staff will immediately communicate with the client and actively handle with the relevant comments, ensuring that their voices are fully heard and addressed. To better understand fans' opinions, we have established a dedicated mailbox for collecting fans' feedback. We welcome fans' comments and suggestions. Through close communication and collaboration with clients and fans, we continually improve the quality of our works. In addition to paying attention to clients' and fans' real-time feedback, we regularly conduct satisfaction surveys to collect their comprehensive evaluations of our artists' performance, production quality and service experience. This feedback provides us valuable guidance for improvement, and help us further optimize our business processes and service standards. In addition, we also host various online and offline interactive events, inviting clients and fans to participate to enhance their connection and interaction with our artists. These activities not only enhance clients' and fans' sense of engagement and belonging, but also offer us more opportunities to directly understand their needs and expectations.

The Group's major suppliers are artist-related suppliers who are subject to relatively low environmental and social risks. To better manage these risks, we have implemented detailed policies to manage the social risks associated with artists, ensuring they uphold relevant social responsibility and ethical standards in their work. In addition to artist-related suppliers, we also require all other cooperative suppliers to sign integrity commitment letters to prevent bribery and inappropriate business behaviors. This measure ensures transparency and integrity throughout our supply chain and maintains a fair and competitive market environment. Over the past year, we have further strengthened supplier management. We developed a Procurement Management Policy for non-artist-related procurement. It stipulates the principles for supplier documentation and has created a "Qualified Supplier List". The policy outlines basic requirements for selecting suppliers, namely possessing a legally compliant business entity, strong product quality, timely delivery, reasonable pricing, good service and sound reputation. Long-term partners listed in the "Supplier Archive" are subject to annual reviews. Suppliers that fail to meet standards in quality, quantity, delivery time of goods or services, or after-sales service are subject to elimination via a bottom-ranking system, and new suppliers are sourced accordingly. Through these efforts, we have enhanced our overall supply chain management standard.

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

In the Year, we have 705 suppliers in total, including 358 overseas suppliers and 347 domestic suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

2.3 Standardized Advertising Endorsements

To ensure that artists appear in advertising endorsement services in a compliant and authentic manner and image, protect the rights and interests of artists, customers and the public and deliver and spread information effectively, we strictly comply with the requirements for advertising endorsements under the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), Administrative Measures for Standardizing Radio, Television and Online Audiovisual Platforms (《廣播電視和網絡視聽標準化管理辦法》), Compliance Guidelines for Artists' Advertising Endorsement Behavior (《明星廣告代言行為合規指引》) and Guidance on Further Regulating the Endorsement by Artists in Advertising Activities (《關於進一步規範明星廣告代言活動的指導意見》) and collaborated with the special action to "Loudly and Clearly Improve the Internet Environment for 2024 Spring Festival (清朗·2024年春節網絡環境整治)" launched by the Office of the Central Cyberspace Affairs Commission (中央網信辦). We set up the Specific Process System (《專項流程制度》), Endorsement Exhibition Withdrawal System (《代言撤展制度》) and Publicity Department Management System (《宣傳部管理制度》) to ensure the compliance and authenticity of advertising endorsement activities. These systems detailedly standardized each process of advertising endorsements, including the evaluation and management of endorsement projects, as well as necessary endorsement exhibition withdrawal procedures. Through these measures, we ensure the legal compliance of advertising endorsement activities, and enhance the transparency and credibility of advertising endorsements. We are committed to upholding industry standards, providing high-quality advertising endorsement services, and promoting the healthy development of the advertising market, and continuously improving our management and service quality. Through these efforts, we aim to drive higher standards in advertising endorsement practices across the industry.

To ensure the compliance and authenticity of cooperative brands, we require counterparts to provide a series of qualification documents including business licenses, trademark registration certificates, operation or production licenses and quality inspection reports for related products. We resolutely eradicate false or exaggerated propaganda. Before signing contracts, we will require artists to use the products or experience the services of the cooperative brands, detailedly record the usage process and feelings. These records are submitted to the Legal Department of the Group for record-keeping to ensure the authenticity. Cooperation contracts clearly specify the endorsement duration and the withdrawal timeframe upon completion of endorsement duration. Brand partner shall withdraw the exhibition within required timeframe upon the expiration of endorsement duration. If the exhibition fails to be withdrawn on time, our Legal Department will intervene to protect our legal rights and interests in the follow-up work. We ensure that every brand partner meets our standard requirement. Through these strict measures and continuous improvement, we not only uphold compliance and authenticity of brand partners, but also increase transparency and credibility in our advertising endorsement activities.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

2.4 Protection of Personal Privacy

The Group places high importance on protecting personal information. We only collect personal data voluntarily provided by trainees and artists and do not deliberately collect the privacy information of members of artist fan club. According to the Employee Handbook (《員工手冊》), employees have the responsibility to protect customer data, company personnel data and all information and publicity materials related to artists, and keep confidentiality of the information. We have implemented Publicity Department Management System. This system not only standardizes the compliance of publicity data, but also includes detailed provisions for the protection of artist information. We strictly prohibit employees from disclosing any information on artist's privacy or personal itinerary. Employees are required to carefully check before publishing content to ensure it contains no personal privacy information. Employees also have the responsibility to review and remind artists about content they publish, preventing disclosure of any personal privacy.

During the Year, no incidents involving violations of personal data regulations occurred within the Group.

2.5 Protection of Intellectual Property Rights

The Group places a high priority on the protection of intellectual property rights. We actively safeguard our own rights and interests, and also commit to protecting the intellectual property rights of third parties from infringement. We strictly comply with the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), and other laws and regulations on protection of intellectual property rights in our operating jurisdictions. To ensure comprehensive compliance in intellectual property rights, we have formulated the Intellectual Property Rights Management System (《知識產權管理制度》) and the Genuine Software Management System (《正版軟件管理制度》).

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

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

During the Year, the total number of intellectual property works of the Group is 516, including 60 copyright works and 456 trademarks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

2.6 Compliance and Integrity Operation

The Group strictly prohibits any fraudulent, corrupt, bribery behavior, and no employee is allowed to engage in any unlawful activities. We strictly comply with the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), Anti-Terrorism Law of the People's Republic of China (《中華人民共和國反恐怖主義法》), Company Law of the People's Republic of China (《中華人民共和國公司法》) and other laws and regulations on anti-fraud, anti-corruption, and anti-bribery in our operating jurisdictions, and have developed policies such as the Internal Audit System (《內部審計制度》), Anti-Money Laundering Management System (《反洗錢管理制度》) and Anti-Fraud, Anti-Corruption and Anti-Bribery Management System (《反舞弊、反腐敗和反賄賂管理制度》). Through these measures, we are committed to maintaining high standards of business ethics and integrity.

We have set up a dedicated anti-money laundering team to manage money laundering risks. In accordance with legal and regulatory requirements, we perform customer identity verification and monitor account data and transaction information. If any suspicious transactions are found, we will submit suspicious transaction reports to relevant authorities to ensure compliance and security.

In order to advance the Group's anti-fraud, anti-corruption and anti-bribery work, we strictly prohibit any employees from offering any benefits to business partners in exchange for cooperation opportunities. We will assess the risks of fraud, corruption and bribery faced by the Group and take corresponding control measures to mitigate potential risks. The Group's special integrity working group is responsible for reporting to the Audit Committee and the Board on anti-fraud, anti-corruption and anti-bribery work, and the Board and the Audit Committee provide guidance and supervision. The Audit Department audits the legality, compliance, authenticity and integrity of the Group's financial receipts and expenditures and economic activities. In case of any violation of regulations being found, it shall report to the Board, carry out investigation and offer suggestions for handling. If risks or weak links in internal control are found during the audit process, the Audit Committee shall report to the Board and monitor such situation on an ongoing basis.

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

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

During the Year, all directors and all domestic employees of the Group participated in the anti-corruption training. The subject content of training of the Year was legal risks and preventive measures related to commercial bribery, embezzlement and relevant behavior.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)



Anti-Corruption, Integrity and Compliance Training



Anti-Corruption, Integrity and Compliance Training

3. TALENT DRIVE AND CARE

3.1 Searching for Outstanding Talent

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

Our Integrated Management Department will conduct recruitment according to the Group's demand for human resource. Recruitment adheres to the principles of "open recruitment and merit-based employment" and "prioritization of internal personnel under equal conditions". Applicants are required to provide true personal information, including personal identity certificate and academic certificates, etc. If there is concealment or false information, the Group will immediately terminate the contract with the applicant. Staff recruitment gives priority to internal re-designation which is evaluated based on work performance, abilities, knowledge and experience and subject to management approval. We firmly oppose any form of discrimination, and do not allow any discrimination based on gender, health condition, race, skin color, nationality or religious. The Employee Handbook stipulates complaint procedures, and employees can propose complaints, communication and suggestions on the work, labor conditions and employee relationships, etc. An employee who wishes to resign must submit a written notice 30 days in advance. The resignation will take effect upon approval by the supervisor and the Integrated Management Department. Before demission, employees must complete work handover and attend an exit interview for us to understand the reasons for resignation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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

The Group respects the diversity of employees and is committed to creating a diverse and inclusive working environment. During the Year, the Group has developed the Employee Diversity Policy (《僱員多元化政策》), which clearly identifies diversity as one of the Group's core values. We respect individual diversity and value employee dignity. We are also committed to promoting gender empowerment, gender equality and gender diversity across our workforce, and offer equal opportunities in recruitment, training and development, compensation as well as employment and promotions.

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

3.2 Protection of Staff Well-being

We have established a comprehensive remuneration system for employees, are committing to providing employees with a competitive remuneration and benefit structure, and regularly adjust remuneration to ensure its market competitiveness. We also offer special rewards to employees who have made remarkable contributions to the business, encouraging their continued contributions to the Company's development. Employee remuneration consists of basic salary, bonus and various benefits, etc. Basic salary is determined based on the Group's operating conditions, target talent market and the evaluation of different positions, while the evaluation involves employee responsibilities, abilities, experience, etc. Salary adjustments are made based on factors such as operating performance and price inflation indices to ensure fairness and incentivization of the compensation system. We also provide bonuses to reward employees who make special contributions to the Group, develop major businesses or successfully complete their work. In addition, we provide various subsidies and benefits, including the legally required "five categories of social insurance and one housing fund (五險一金)", lunch subsidies, birthday bonuses, holiday bonuses and employee stock dividends. In addition to statutory annual leave, we provide employees with various types of paid leave, such as maternity leave, prenatal check-up leave, marriage leave, bereavement leave, sick leave, work-related injury leave, personal leave, ensuring employees receive adequate rest and support when needed.

3.3 Health and Safety Protection

We attach great importance to workplace safety and strictly adhere to the fire prevention and safety regulations. Employees are prohibited from lighting fires in designated areas or smoking in the workplace. If employees discover any potential hidden safety or fire risks, they should immediately report to the Integrated Management Department or relevant departments. Over the past year, we have further strengthened our safety management practices. In addition to providing comprehensive safety education for new employees, we regularly conduct fire safety training and drills to enhance safety awareness and response capabilities of all employees. To pay attention to employee health, we provide annual physical examination services to help employees keep track of their own physical health. We have also introduced several health promotion initiatives, including health lectures and mental health support services, encouraging staff to maintain a healthy lifestyle.

During the Year, we organized a fire safety training for employees with aim of improving their safety awareness and response capabilities in emergency situations. Through this training, we hope to ensure every employee is able to remain calm during emergencies and properly respond to fire risks, thereby contributing to creating a safer working environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)



Fire Safety Training

During the Year, one employee of the Group reported work-related injury that resulted in 92 lost working days. There was no work-related fatality occurred in the Group in the past three years (including the Year).

3.4 Career Development Pathways

Employee growth is vital to the long-term development of the Group. We provide various types of training for employees, including orientation training for new employees, quality training, job skill training and management personnel training. Orientation training for new employees covers the Group's history, corporate culture and relevant rules and regulations, helping new employees quickly adapt to the company environment. To improve employees' job skills, we offer various internal training courses, and actively seek external resources to provide suitable training opportunities for employees. Employees may submit application to us if they need to participate in external training, and if approved, the Group will bear the training costs. We have also established a training incentive mechanism to reward employees who actively participate in training and achieve outstanding results, encouraging employees' continuous self-improvement.

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

In order to motivate better work performance, we conduct regular performance evaluations on employees, determining rewards or penalties based on their performance. Direct supervisors and higher-level supervisors will review and confirm the evaluation results and then arrange meeting and discussion with them. This year, our assessments will focus on employees' performance on financial and operational indicators, key team projects and individual core projects. An employee will lose points for breaking the rules and regulations. High-performing employees will have the opportunity for promotions and salary increases, while low-performing employees may face demotions or pay reductions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

3.5 Corporate Culture Activities

To promote the unity within Yuehua family, demonstrate our culture, enhance employee cohesion and alleviate work pressure, we regularly organize various team-building activities or gatherings, providing employees with opportunities to relax and reduce work pressure while increasing enthusiasm for work at the same time. During the Year, we held the Yuehua Annual Party and a company relocation ceremony. We look forward to continuing to organize more employee activities in the future to enhance team spirit and improve the overall working atmosphere.



YH Entertainment Annual Party 2024



Company Relocation Ceremony

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

4. ENVIRONMENTAL PROTECTION

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

During the Year, the Group's artists continued to exert influence by participating in multiple environmental protection-related activities, promoting and advocating issues on environmental protection, biodiversity conservation and climate change. For example, artist Wang Yibo served as the "WildAid Ambassador (野生救援公益大使)", "Chinese Youth Representative for the 29th Conference of the Parties to the UNFCCC (聯合國氣候大會 (COP 29)中國青年代表)" and "Climate Ambassador for the Center for Environmental Education and Communications of Ministry of Ecology and Environment (生態環境部宣傳教育中心氣候傳播大使)", artist Zhu Zhengting served as the "PADI Marine Environmental Action Ambassador (PADI海洋環保行動大使)".

Protecting Endangered Species and Building an Ecological Future Together

On August 5, Lighting Up Hope (點亮希望), part II of The Defender (尋護者) (a hidden pangolin conservation documentary) featuring WildAid Ambassador Wang Yibo, was released. The documentary narrates the real stories of pangolin conservation workers, showing efforts, challenges and achievements of these ordinary heroes in their tireless efforts to rescue the Chinese pangolin. Every "Defender" is an indispensable force in this ecological defense battle. Protecting the critically endangered Chinese pangolin is not only their dedication, but also a shared responsibility for all of us. Let's light up hope together.



During the Year, we relocated to a new office building, which resulted in increased electricity and water consumption compared to the previous year. However, the non-hazardous waste generation intensity for the Year decreased compared to previous years. Despite facing challenges, we will remain committed to meeting existing environmental targets and continuously comply with relevant environmental laws and regulations in various operational areas. We will strive to maintain or lower greenhouse gas emission intensity, waste generation intensity, electricity consumption intensity and water consumption intensity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

4.1 Green Management

Energy Conservation and Emission Reduction

To control energy and carbon emissions, we will use natural daylight for illumination as much as possible and adopt energy-efficient lighting fixtures. Lighting and air conditioning should be turned off when not needed and during nonworking hours. Computers and printers will be completely turned off or set to be in standby mode during non-usage periods. During hot weather days or on Fridays and when no visitors are expected, employees are allowed to wear casual outfits to work, so as to reduce the use of air conditioning. To continuously monitor the energy consumption, we will monitor the electricity consumption through electricity statistics for continuous improvement. In our new office building, we installed a "one-button power-off" system that allows employees to quickly turn off all electrical appliances with a single switch upon leaving the building. This initiative enhances convenience while effectively preventing electricity waste.

In addition to reducing energy consumption, we will actively take other measures to reduce carbon emissions. These include using video conferencing as much as possible during operations to minimize the carbon emissions from air travel, thus reducing the impact on the environment. We will also encourage employees to use public transportation to reduce carbon emissions. In daily office operations, we will promote the concept of a low-carbon lifestyle. During the Year, the Group's electricity consumption was 312,317.12 kWh, representing an electricity consumption of 81.56 kWh per square meter and 1,725.51 kWh per employee.

During the Year, the Group's greenhouse gas emissions were 183.43 tonnes of CO₂e, representing a greenhouse gas emission of 0.05 tonnes of CO₂e per square meter and 1.01 tonnes of CO₂e per employee.

Greenhouse gas emission	Unit	2024
Direct greenhouse gas emissions (Scope 1)	tonnes of CO ₂ e	15.84
Indirect greenhouse gas emissions (Scope 2)	tonnes of CO ₂ e	167.59
Total greenhouse gas emissions (Scope 1 and 2)	tonnes of CO ₂ e	183.43
Greenhouse gas emission intensity (per square meter) (Scope 1 and 2)	tonnes of CO ₂ e/m ²	0.05
Greenhouse gas emissions per employee (Scope 1 and 2)	tonnes of CO ₂ e/employee	1.01

Water Resource Management

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

During the Year, the Group's water consumption was 2,695.00 cubic meters, representing a water consumption of 0.70 cubic meter per square meter and 14.89 cubic meters per employee. The Group sources water only from the municipal water supply services, and there is no difficulty in sourcing water.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Waste Management

We advocate for waste reduction and resource reuse within the office, encouraging employees to use reusable office supplies such as envelopes, binders, file cards and rechargeable batteries to reduce the use of disposable items. Meanwhile, we also promote the classification and recycling of waste, such as paper and metal. The Group has formulated the Proposal for Reducing Paper Consumption (《節約用紙倡議書》), encouraging employees to follow the principle of "avoid printing or photocopying if unnecessary (能不打印就不打印·能不複印就不複印)" and to reduce paper waste by optimizing layouts and using double-sided printing. We also encourage employees to reuse waste paper by setting up waste paper collection boxes for employees to collect waste paper for reuse purposes.

During the Year, the Group's paper consumption was 913.44 kg, representing a paper consumption of 5.05 kg per employee. The amount of non-hazardous waste produced was 3.80 tonnes, representing an amount of nonhazardous waste produced per employee of 0.02 tonne. The Group is not involved in the production of a large number of products or derivatives, and therefore does not consume a significant amount of packaging materials.

Emission Control

All of the Group's Scope 1 carbon emissions come from vehicle use. In addition to shifting to electric and hybrid vehicles and encouraging employees to take public transportation more often, we will carry out regular vehicle tire checks and fleet maintenance and inflate vehicle tires, so as to ensure that vehicles operate in optimal condition. We also require to reduce vehicle engine idling to minimize unnecessary emissions.

During the Year, the Group emitted 56.51 kg of nitrogen oxides, 0.09 kg of sulphur oxide and 5.26 kg of particulate matters.

4.2 Responding to Climate Change

As a company with a sense of environmental and social responsibility, YH Entertainment always insists on exploring solutions to climate change. In responding to and managing climate change, YH Entertainment has considered four key dimensions: Governance, Strategy, Risk Management and Metrics & Targets, and has identified climate-related risks that have significant impacts on its business and formulated corresponding climate action plans to enhance the company's resilience to climate.

Governance

We attach great importance to the climate change issue and have included it into our corporate governance framework. The Board is responsible for the overall supervision and management of climate-related matters, while relevant functional units are tasked with embedding climate change management into daily operations to help achieve the sustainable development goals.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Strategy

We actively respond to the “Dual Carbon Goals” of China by integrating resources to promote low-carbon operations, industry empowerment and public advocacy. We actively leverage our influence to facilitate climate change issue into the mainstream, so as to increase the public’s awareness of climate change issue.

Climate Action Highlight – Artist-led Climate Advocacy:

As a Chinese Youth Representative for the 29th Conference of the Parties to the UNFCCC, our artist Wang Yibo sent a video message to the youth around the world, conveying the low-carbon concept to them and calling on them to pay attention to climate change, contribute their own power to promote climate action, and showcase their commitment to global sustainable development with concrete action.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

We recognize the impact of climate change on various aspects including operations, compliance and reputation. To address the risks and opportunities brought by climate change, we assess physical and transition risks to identify and evaluate their potential impact on our business. Based on these assessment results, we have formulated corresponding measures to mitigate climate change-related risks and actively seize related opportunities.

Types of risks	Risk level	Potential impacts	Countermeasures
Physical risk			
Extreme heat	Low	Extreme weather (such as typhoons and heavy rainfall) affects daily operations and performing activities	<ul style="list-style-type: none">• Monitor the weather changes during performing activities;• Develop contingency plans for extreme weather;• Promote water and energy conservation measures.
Water shortage	Low		
Transition risk			
Failure to comply with the development of global climate change policies and regulations	Low	Increased disclosure costs increased regulatory requirements	<ul style="list-style-type: none">• Track the latest policy requirements;• Integrate requirements into management policies.
Stakeholders' concern about climate change issues	Low	Damage to reputation difficulty in gaining stakeholder support	<ul style="list-style-type: none">• Increase the ESG report's disclosure of climate change and low-carbon operating practices.
Endorsed products or performing works with environmental impacts or environmental awareness concerns	Low	Damage to reputation reduced cooperation loss of competitiveness	<ul style="list-style-type: none">• Review the relevant products and works and assess the risk;• Strengthen green-related training.

Risk Management

To actively manage potential climate-related risks and achieve stable and sustainable operations, the Group has identified potential climate-related risks and effectively formulated and implemented corresponding measures in a swift manner. We are committed to continually optimizing our risk management processes to adapt to the evolving business environment and ensure that our decisions and actions remain closely aligned. We have formulated measures to address extreme weather, including real-time weather monitoring ahead of performing activities and real-time performing activity adjustment in accordance with alerts from meteorological authorities, so as to safeguard the safety of our artists and fans.

Metrics & Targets

We routinely compile and disclose statistics on greenhouse gas emission and its intensity to assess the effectiveness of our management in responding to climate change. Under essentially the same business operating conditions, we actively implement the energy-saving measures taken by the Group and regularly review the energy conservation and emission reduction targets, so as to ensure that the greenhouse gas emission density remains stable or gradually declines.

Environmental aspect	Target
Greenhouse Gas Emission	Actively implementing the Group's energy-saving measures, and maintaining or gradually reducing the intensity of greenhouse gas emission in the future under a similar level of operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

5. COMMUNITY CONTRIBUTION

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

Wang Yibo: Paris Olympic Qualifier Series • Shanghai Promotion Ambassador (巴黎奧運資格系列賽•上海推廣大使), a torchbearer of the 2024 Paris Olympics, Chinese Youth Representative for the 29th Conference of the Parties to the UNFCCC, Climate Ambassador for the Center for Environmental Education and Communications of Ministry of Ecology and Environment, Emergency Management Public Welfare Publicity Ambassador (應急管理公益宣傳大使), Luoyang Firefighting Publicity Public Welfare Ambassador (洛陽消防宣傳公益使者);

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

APPENDIX I: SUSTAINABILITY DATA SUMMARY

Environmental Aspect	Unit	2024
Air pollutant emissions		
Nitrogen oxide	kg	56.51
Sulphur oxide	kg	0.09
Particulate matter	kg	5.26
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tonnes of CO ₂ e	15.84
Indirect greenhouse gas emissions (Scope 2)	tonnes of CO ₂ e	167.59
Total greenhouse gas emissions (Scope 1 and 2)	tonnes of CO ₂ e	183.43
Greenhouse gas emission intensity (per square meter) (Scope 1 and 2)	tonnes of CO ₂ e/m ²	0.05
Greenhouse gas emissions per employee (Scope 1 and 2)	tonnes of CO ₂ e/employee	1.01
Energy consumption		
Purchased electricity consumption	kWh	312,317.12
Purchased electricity consumption intensity (per square meter)	kWh/m ²	81.56
Purchased electricity consumption per employee	kWh/employee	1,725.51
Petrol consumption	liter	5,939.46
Water consumption		
Total water consumption	m ³	2,695.00
Water consumption intensity (per square meter)	m ³ /m ²	0.70
Water consumption per employee	m ³ /employee	14.89
Paper consumption		
Total paper consumption	kg	913.44
Paper consumption intensity per employee	kg/employee	5.05
Waste generation		
Total non-hazardous waste produced	tonnes	3.80
Non-hazardous waste produced per employee	tonnes/employee	0.02

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Social Aspect	Unit	2024
Number of employees		
Total number of employees	no. of people	207
Number of employees by gender		
Female employees	no. of people	152
Male employees	no. of people	55
Number of employees by category		
Short-term contract/part-time employees	no. of people	2
Full-time junior employees	no. of people	125
Full-time mid-level employees	no. of people	54
Full-time senior employees	no. of people	26
Number of employees by age		
Employees aged below 30	no. of people	102
Employees aged 31–50	no. of people	101
Employees aged above 50	no. of people	4
Number of employees by geographical region		
Employees in Northern China	no. of people	150
Employees in other region of China (including Hong Kong, Macau and Taiwan)	no. of people	3
Employees in Korea	no. of people	54
Employee Turnover¹		
Total employee turnover rate	%	34.78
Turnover rate of female employees	%	30.92
Turnover rate of male employees	%	45.45
Turnover rate by age		
Turnover rate of employees aged below 30	%	41.18
Turnover rate of employees aged 31–50	%	29.70
Turnover rate of employees aged above 50	%	0.00
Turnover rate by geographical region		
Turnover rate of employees in Northern China	%	32.00
Turnover rate of employees in Korea	%	44.44

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Social Aspect	Unit	2024
Occupational Health and Safety		
Number of work-related fatalities occurred in each of the past three years (including the reporting year)	no. of people	0
Rate of work-related fatalities occurred in each of the past three years (including the reporting year)	%	0
Lost days due to work injury	day	92
Employee training		
Percentage of employees trained by gender²		
Male employees	%	22.09
Female employees	%	77.91
Percentage of employees trained by employee category²		
Short-term contract/part-time employees	%	1.16
Full-time junior employees	%	66.28
Full-time mid-level employees	%	23.84
Full-time senior employees	%	8.72
Average training hours of employees by gender³		
Female employees	hour	0.55
Male employees	hour	0.66
Average training hours of employees by employee category³		
Full-time junior employees	hour	0.57
Full-time mid-level employees	hour	0.90
Full-time senior employees	hour	1.26

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

APPENDIX II: HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE INDEX

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Indicators				Related Sections
A3.	Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer’s significant impacts on the environment and natural resources.	4. ENVIRONMENTAL PROTECTION
		A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4. ENVIRONMENTAL PROTECTION
A4.	Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.2 Responding to Climate Change
		A4.1	Description of the significant climate related-issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.2 Responding to Climate Change
B. Social				
Employment and Labor Practices				
B1.	Employment	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3. TALENT DRIVE AND CARE
		B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
		B1.2	Employee turnover rate by gender, age group and geographical region.	APPENDIX I: SUSTAINABILITY DATA SUMMARY
B2.	Health and Safety	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.3 Health and Safety Protection
		B2.1	Number and rate of work-related fatalities occurred in each of the past three years (including the reporting year).	3.3 Health and Safety Protection
		B2.2	Lost days due to work injury.	3.3 Health and Safety Protection
		B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.3 Health and Safety Protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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

DIRECTORS' REPORT

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

The Company is an investment holding company and the principal businesses of its principal subsidiaries are set out in Note 41 to the consolidated financial statements.

A list of the Company's principal subsidiaries as of December 31, 2024, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 41 to the consolidated financial statements.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

- The Group's business depends significantly on its managed artists' reputation and the public's perception of its brand. Any negative publicity on its managed artists, the Company and management, business partners or industry, may harm the brand image of the Group, which could materially and adversely affect the Group's business, financial condition or results of operations;
- The Group generates a substantial portion of its revenue from its artist management business. If the Group fails to maintain the relationship with artists and trainees or enlarge the number of artists and trainees managed by the Group, its business, financial condition and results of operations could be materially and adversely affected;
- The Group's business is highly sensitive to public tastes and is dependent on its ability to secure and develop popular artists, and the Group may not be able to anticipate or respond effectively to changes in audience's preferences and market trends, which could materially and adversely affect its business, financial condition and results of operations;

DIRECTORS' REPORT (continued)

- The Group's business depends, in significant part, on the general prosperity and development of China's overall entertainment industry, corporate spending and discretionary consumer spending. Challenging economic conditions and other negative factors may impact corporate and consumer spending, which could have a material adverse effect on its business, financial condition and results of operations; and
- If the Group fails to maintain the business relationship with its major customers or expand its customer base, its business, financial condition and results of operations could be materially and adversely affected.

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

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

ENVIRONMENT POLICIES AND PERFORMANCE

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2024 are set out in the consolidated financial statements of this report.

The Board has resolved not to recommend payment of a final dividend for the year ended December 31, 2024. The Company was not aware of any Shareholders that had waived or agreed to waive any dividend arrangement for the year ended December 31, 2024.

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

DIRECTORS' REPORT (continued)

Shareholders

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

Employees

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

Customers

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

For the year ended December 31, 2024, the Group's revenue attributable to its largest customer was approximately RMB40.31 million, representing 5.27% of the Group's revenue.

For the year ended December 31, 2024, the Group's revenues attributable to the five largest customers were approximately RMB151.92 million, accounting for approximately 19.87% of the Group's total revenue.

Suppliers

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

For the year ended December 31, 2024, the Group's purchases from its largest supplier were approximately RMB298.85 million, accounting for 49.1% of the Group's total purchases and the Group's purchases from its five largest suppliers were approximately RMB358.54 million, accounting for approximately 58.92% of the Group's total purchases.

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

DIRECTORS' REPORT (continued)

FINANCIAL SUMMARY

A summary of the Group's financial results, assets and liabilities for the last five financial years are set out on page 189 of this report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group in 2024 are set out in Note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2024, the Company had no distributable reserve.

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

During the Reporting Period, the Company repurchased a total of 9,285,000 Shares on the Stock Exchange for an aggregate consideration of HK\$5,762,729.97 before expenses. All the repurchased Shares were held as treasury shares. The repurchased Shares was effected for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

Month of purchase in 2024	Purchase consideration per share				Aggregate consideration paid (HK\$)
	No. of Shares purchased	No. of treasury shares	Highest price paid (HK\$)	Lowest price paid (HK\$)	
June	108,000	108,000	0.64	0.59	65,579.97
July	1,263,000	1,263,000	0.69	0.59	818,250.00
October	4,632,000	4,632,000	0.67	0.52	2,752,950.00
November	2,166,000	2,166,000	0.68	0.61	1,393,530.00
December	1,116,000	1,116,000	0.68	0.62	732,420.00
	9,285,000	9,285,000			5,762,729.97

The repurchased Shares reflected the confidence of the Board in the Company's long-term strategy and growth prospects. The Directors considered that the repurchased Shares were in the best interests of the Company and the Shareholders as a whole. The Company intends to use the treasury shares to resell on the market prices to raise additional funds for the Company, or transfer or use for share grants under share schemes that comply with Chapter 17 of the Listing Rules and for other purposes permitted under the Listing Rules, the articles of association of the Company and the applicable laws of the Cayman Islands, subject to market conditions and the Group's capital management needs.

DIRECTORS' REPORT (continued)

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale or transfer of treasury shares).

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company did not provide any financial assistance nor guarantee to its affiliated companies for the year ended December 31, 2024 which gives rise to disclosure obligation under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific performance of its Controlling Shareholders nor breach the terms of any loan agreements for the year ended December 31, 2024.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

BANK AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2024 are set out in Note 32 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. MENG Jun
Ms. YAO Lu (resigned on February 5, 2024)

Independent Non-executive Directors

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' REPORT (continued)

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for a term of one year with effect from the Listing Date or June 21, 2024, and will automatically renew until terminated in certain circumstances as stipulated in the relevant letters of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration.

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

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

REMUNERATION POLICY

As of December 31, 2024, the Group had 207 employees. Total staff remuneration expenses including Directors' remuneration in 2024 amounted to RMB74 million. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group and performance-based compensation.

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

Remuneration of Senior Management

For details of the Directors and the five highest paid individuals for the year ended December 31, 2024, please refer to Note 11 to the consolidated financial statements of this annual report. The annual remuneration range (including share-based compensation) for senior management members for the year ended December 31, 2024 is as follows:

Remuneration Range	Number of individuals
nil – RMB1,000,000	0
RMB1,000,001 – RMB5,000,000	2
Above RMB5,000,001	3

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of December 31, 2024, Ms. Du Hua and Mr. Sun Yiding, our executive Directors, hold 51% and 49% equity interest in Horgos Yuehua Picture Limited (霍爾果斯樂華影業有限公司) ("**Horgos Yuehua**"), respectively. Horgos Yuehua is a limited liability company established in the PRC on January 6, 2016, which is principally engaged in production and investment of variety programs, movies and drama series. As distinguished from the business conducted by Horgos Yuehua, the Group's pan-entertainment business mainly includes commercial development of virtual artists, variety program format licensing and sales of artist-related merchandise. The variety program format licensing under the Group's pan-entertainment business refers to Yuehua Korea's sublicensing of the program format of a variety program to a leading online video platform in China, for which it receives licensing fees in return. As such, the variety program format licensing business under the pan-entertainment business is different from the variety program production business conducted by Horgos Yuehua. After the dismantlement of the contractual arrangements in respect of Horgos Yuehua on March 2022 as part of the Group's reorganization, the Group does not intend to engage in the businesses historically conducted by Horgos Yuehua due to its strategic focus on the Group's core business. Therefore, the Directors consider that Horgos Yuehua does not competes and is not likely to compete, directly or indirectly, with our business. For details of the dismantlement of the contractual arrangements with respect to Horgos Yuehua, see "History, Reorganization and Corporate Structure – Reorganization – VI. Dismantlement of Contractual Arrangements" in the Prospectus.

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

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

On April 19, 2024, Yuehua Limited and Nice Future entered into a business cooperation agreement in connection with the operation of the target business, pursuant to which Nice Future and one of its wholly owned subsidiaries shall be exclusively authorized by Yuehua Limited to operate and manage related interests in A-SOUL and other virtual artist owned by Yuehua Limited (the "**Business Cooperation Framework Agreement**"). Detail of the Business Cooperation Framework Agreement are set out in the announcements published by the Company on April 19 and July 16, 2024, respectively.

As Nice Future, one of the parties to the Business Cooperation Framework Agreement, is a connected person under applicable Listing Rules, the Business Cooperation Framework Agreement and such transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios calculated under the Listing Rules in respect of this transaction is expected to be, on an annual basis, more than 0.1% but less than 5%, the Business Cooperation Framework Agreement and such transaction contemplated thereunder is subject to the reporting, annual review and announcement requirements, but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Du Hua and Mr. Sun Yiding, being our executive Directors, abstained from voting on the Board resolution for considering and approving the Business Cooperation Framework Agreement and transactions thereunder so as to avoid the perception of a conflict of interest. Save as disclosed above, none of the other Directors was regarded as having a material interest in the Business Cooperation Framework Agreement and transactions thereunder and abstained from voting on the relevant Board resolution.

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

DIRECTORS' REPORT (continued)

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

As of December 31, 2024, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Shares or underlying Shares of the Company

Name of Director	Nature of interest	Long/short position	Number of Shares	Approximate percentage of interest in the Company ⁽¹⁾
Ms. DU Hua	Interest in controlled corporation ⁽²⁾	Long position	376,350,000	43.17%
	Interest of spouse ⁽³⁾		24,825,000	2.85%
	Other ⁽⁴⁾		9,285,000	1.06%
Mr. SUN Yiding	Interest in controlled corporation ⁽⁵⁾	Long position	24,825,000	2.85%
	Interest of spouse ⁽³⁾		376,350,000	43.17%
	Other ⁽⁶⁾		9,285,000	1.06%
Mr. SUN Le	Beneficial Owner ⁽⁷⁾	Long position	3,225,000	0.37%

Notes:

- (1) The percentage figures disclosed under "Approximate percentage of interest in the Company" are calculated based on the 871,881,000 Shares, being the number of total issued shares of the Company as of December 31, 2024 (including treasury shares).
- (2) As of December 31, 2024, 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) Ms. Du Hua controls one-third or more of the voting power at general meetings of the Company. Accordingly, Ms. Du is taken to have an interest in a total of 9,285,000 treasury shares of the Company.
- (5) As of December 31, 2024, 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.
- (6) Mr. Sun Yiding controls one-third or more of the voting power at general meetings of the Company. Accordingly, Mr. Sun is taken to have an interest in a total of 9,285,000 treasury shares of the Company.
- (7) As of December 31, 2024, Mr. SUN Le is interested in the 3,225,000 underlying Shares relating to the RSUs granted to him pursuant to the Share Incentive Plan.

Save as disclosed above, as of December 31, 2024, 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.

DIRECTORS' REPORT (continued)

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As of December 31, 2024 and at any time during the Reporting Period, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party to any arrangement through which the Directors may benefit by purchasing shares or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

To the best knowledge of the Directors, as of December 31, 2024, 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%

DIRECTORS' REPORT (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 December 31, 2024.
- (2) CMC Sports Investment Limited is wholly owned by CMC Sports Acquisition Limited, which is in turn wholly owned by CMC Sports Group Limited, then wholly owned by CMC Inc. (formerly known as CMC Holdings Limited). CMC Inc. is a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited, which holds the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited. Gold Pioneer Worldwide Limited is wholly-owned by Brilliant Spark Holdings Limited, which is in turn wholly-owned and controlled by Mr. Li Ruigang. Therefore, each of CMC Sports Acquisition Limited, CMC Sports Group Limited, CMC Inc., Gold Pioneer Worldwide Limited, GLRG Holdings Limited, Brilliant Spark Holdings Limited and Mr. Li Ruigang is deemed to be interested in the Shares directly held by CMC Sports Investment Limited by virtue of the SFO.
- (3) Interform Construction Supplies Limited is wholly owned by SAC Enterprises Limited, which is in turn wholly owned by Alibaba Pictures Group Limited, a non wholly-owned subsidiary of Ali CV Investment Holding Limited, which is wholly-owned by Alibaba Investment Limited. Alibaba Investment Limited is wholly-owned subsidiary of Alibaba Group Holding Limited. Therefore, each of SAC Enterprises Limited, Alibaba Pictures Group Limited, Ali CV Investment Holding Limited, Alibaba Investment Limited and Alibaba Group Holding Limited is deemed to be interested in the Shares directly held by Interform Construction Supplies Limited.

Save as disclosed above, as of December 31, 2024, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

USE OF PROCEEDS

The Shares were listed on the Stock Exchange on January 19, 2023. The 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. As of December 31, 2024, we have utilized all of the net proceeds from the Global Offering in the manner set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of December 31, 2024:

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	Unutilized amount as of January 1, 2024	Utilized amount during the year ended December 31, 2024	Unutilized amount as of December 31, 2024	
		(HK\$ million, except for percentages)				
Continuing to invest in our artist operation	60.0%	239.0	33.6	33.6	–	
– purchase and renovation of an artist training center in China	45.0%	179.3	nil	nil	–	
– artist operation and promotion in China	15.0%	59.7	33.6	33.6	–	
Expanding our music IP library	15.0%	59.8	32.7	32.7	–	
Expanding our pan-entertainment business	15.0%	59.8	29.9	29.9	–	
Promote our artist performance in other countries	5.0%	19.9	16.1	16.1	–	
Working capital and general corporate purposes	5.0%	19.9	10.5	10.5	–	
Total	100.0%	398.4	122.8	122.8	–	

DIRECTORS' REPORT (continued)

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.

DIRECTORS' REPORT (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 4.4% of the total issued Shares (excluding treasury shares) as of date of this report.

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

An aggregate of 5,790,000 outstanding RSUs in respect of all 37,500,000 Shares (taking into account the effect of Capitalization Issue) available under the Share Incentive Plan had been granted to eligible participants prior to Listing, therefore, no further RSUs are available for grant under the Share Incentive Plan after Listing.

Performance Target

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

Consideration for RSU

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

Conditions of Issuance of Shares

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

Vesting Schedule and Vesting Period

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

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

DIRECTORS' REPORT (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 December 31, 2024, the remaining life of the Share Incentive Plan was approximately 7 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.

DIRECTORS' REPORT (continued)

Movements of the RSUs under the Share Incentive Plan during the Reporting Period are set out as follows:

Name/Category of the grantees	Date of grant	Number of RSUs ⁽⁶⁾						Price to be paid upon the vesting and settlement of RSUs (HKD)	Fair value of the RSUs at the date of grant ⁽¹⁾⁽⁴⁾ (RMB)
		Outstanding as of January 1, 2024	Granted during the Reporting Period ⁽¹⁾	Vested during the Reporting Period ⁽²⁾	Cancelled during the Reporting Period ⁽³⁾	Lapsed during the Reporting Period ⁽³⁾	Outstanding as of December 31, 2024		
Director(s) of the Company									
Mr. SUN Le	December 10, 2021	2,418,750	–	806,250	–	–	1,612,500	24,897	–
Four highest paid employees for during 2024⁽⁵⁾									
	December 10, 2021	1,800,000	–	900,000	–	–	900,000	13,896	–
	March 4, 2022	2,925,000	–	975,000	–	–	1,950,000	30,108	–
	December 20, 2022	900,000	–	–	–	–	900,000	13,896	–
Other grantees (excluding the director and the four highest paid employees for during 2024)									
	December 10, 2021	3,037,500	–	1,012,500	–	–	2,025,000	31,266	–
	March 4, 2022	14,568,750	–	4,856,250	–	–	9,712,500	149,961	–
	December 20, 2022	2,475,000	–	825,000	–	–	1,650,000	25,476	–
		28,125,000	–	9,375,000	–	–	18,750,000		

Notes:

- (1) As no RSUs were granted during the Reporting Period, the fair value of the RSUs granted during the Reporting Period is not applicable.
- (2) RSUs representing 9,375,000 Shares were vested to the grantees during the Reporting Period. The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested was HKD0.66 per Share.
- (3) No RSUs were cancelled or lapsed during the Reporting Period.
- (4) For accounting standard and policy adopted for such fair value measurement, please refer to Note 2.17 to the consolidated financial statements.
- (5) One of the five highest paid employees for the year ended December 31, 2024 is Mr. SUN Le, our executive Director. The details regarding the RSUs granted to him are disclosed under "Director(s) of the Company" section of the above table.
- (6) The number of RSUs in the above table has been adjusted to reflect the Capitalization Issue.

For more details of the Share Incentive Plan, please refer to "D. Share Incentive Plan" of Appendix V of the Prospectus and Note 40 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

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

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

Connected person(s)	Connected relationship
Youku Information Technology (Beijing) Co., Ltd. (優酷信息技術(北京)有限公司) ("Youku Information Technology")	Youku Information Technology is a consolidated affiliated entity of Beijing Youku Technology Co., Ltd. (北京優酷科技有限公司), a company wholly owned by Alibaba Investment Limited, which is in turn wholly owned by Alibaba Group Holding Limited. Interform Construction Supplies Limited is an indirect wholly-owned subsidiary of Alibaba Pictures Group Limited. Accordingly, Youku Information Technology and Interform Construction Supplies Limited are fellow subsidiaries of Alibaba Group Holding Limited. Therefore, Youku Information Technology is an associate of Interform Construction Supplies Limited, one of the substantial shareholders of the Company. Accordingly, transactions under the Youku Information Technology Agreement constitute continuing connected transactions of the Company and are subject to Chapter 14A of the Listing Rules.
Shenzhen Shine Entertainment Co., Ltd. (深圳日月 星光傳媒有限公司) ("Shine Entertainment")	Shine Entertainment is a company established in the PRC with limited liability. It is principally engaged in the production of variety programs and events planning. As of the date of the Shine Entertainment Agreement, Shine Entertainment was an indirect wholly-owned subsidiary by Chinese Culture Co., Ltd. (華人文化有限責任公司), an associate of our substantial shareholder, CMC Sports Group Limited. Accordingly, transactions under the Shine Entertainment Agreement constitute continuing connected transactions of the Company and are subject to Chapter 14A of the Listing Rules.
Nice Future (Beijing) Culture Communication Co., Ltd. (尼斯未來(北京)文化傳播有限公司) ("Nice Future")	Nice Future is a company established in the PRC with limited liability and is principally engaged in virtual artists operation and management. As of the date of the Nice Future Agreement, Nice Future is owned as to 9.5% by the Group and 57.0% by Mr. Du Jiang, the brother of Ms. Du Hua, the Chairlady, an executive Director and the chief executive officer, and is therefore an associate of Ms. Du Hua and a connected person of the Group. Accordingly, transactions under the Nice Future Agreement constitute continuing connected transactions of the Company and are subject to Chapter 14A of the Listing Rules.

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

DIRECTORS' REPORT (continued)

Continuing Connected Transaction with Youku Information Technology

A. Entertainment Content Program Production Agreement dated January 10, 2024

On January 10, 2024, Yuehua Limited entered into an entertainment content program production agreement with Youku Information Technology (the "**Agreement I**"), pursuant to which certain managed artists of the Group would perform in entertainment content programs produced by Youku Information Technology.

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

Date:	January 10, 2024
Parties:	(i) Yuehua Limited; and
	(ii) Youku Information Technology.

Subject matter

Pursuant to the Agreement I, Yuehua Limited agreed to arrange certain managed artists of the Group to perform in entertainment content programs produced by Youku Information Technology.

Consideration

The consideration of RMB30,000 (including taxes) shall be payable by Youku Information Technology to Yuehua Limited through bank transfer.

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

B. Entertainment Content Program Production Agreement dated January 16, 2024

On January 16, 2024, Tianjin Yuehua entered into an entertainment content program production agreement with Youku Information Technology (the "**Agreement II**"), pursuant to which certain managed artists of the Group would perform in entertainment content programs produced by Youku Information Technology.

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

Date:	January 16, 2024
Parties:	(i) Tianjin Yuehua; and
	(ii) Youku Information Technology.

DIRECTORS' REPORT (continued)

Subject matter

Pursuant to the Agreement II, Tianjin Yuehua agreed to arrange certain managed artists of the Group to perform in entertainment content programs produced by Youku Information Technology.

Consideration

The consideration of RMB800,000 (including taxes) shall be payable by Youku Information Technology to Tianjin Yuehua through bank transfer.

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

C. Business Cooperation Agreement dated January 16, 2024

On January 16, 2024, Tianjin Yuehua entered into a business cooperation agreement with Youku Information Technology (the "**Agreement III**"), pursuant to which certain managed artists of the Group would participate in certain business promotional activities as requested by Youku Information Technology.

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

Date: January 16, 2024

Parties:

- (i) Tianjin Yuehua; and
- (ii) Youku Information Technology.

Subject matter

Pursuant to the Agreement III, Tianjin Yuehua agreed to arrange certain managed artists of the Group to participate in the business promotional activities in relation to the publicity of entertainment content programs produced by Youku Information Technology in accordance with agreed terms.

Consideration

The consideration of RMB2,000,000 (including taxes) shall be payable by Youku Information Technology to Tianjin Yuehua through bank transfer.

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

DIRECTORS' REPORT (continued)

D. Business Cooperation Agreement dated January 16, 2024

On January 16, 2024, Tianjin Yuehua entered into a business cooperation agreement with Youku Information Technology (the "**Agreement IV**"), pursuant to which Youku Information Technology would entrust Tianjin Yuehua to choose and arrange clothing and styling services for certain managed artists of the Group who would participate in the production of entertainment content programs produced by Youku Information Technology.

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

Date: January 16, 2024

Parties:

- (i) Tianjin Yuehua; and
- (ii) Youku Information Technology.

Subject matter

Pursuant to the Agreement IV, Youku Information Technology agreed to entrust Tianjin Yuehua to choose and arrange clothing and styling services for certain managed artists of the Group who would participate in the production of entertainment content programs produced by Youku Information Technology in accordance with agreed terms.

Consideration

The consideration of RMB200,000 (including taxes) shall be payable by Youku Information Technology to Tianjin Yuehua through bank transfer.

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

DIRECTORS' REPORT (continued)

E. Business Cooperation Agreement dated January 16, 2024

On January 16, 2024, Tianjin Yuehua entered into a business cooperation agreement with Youku Information Technology (the "**Agreement V**"), pursuant to which certain artist groups of the Group would perform in entertainment content programs produced by Youku Information Technology.

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

Date: January 16, 2024

Parties:

- (i) Tianjin Yuehua; and
- (ii) Youku Information Technology.

Subject matter

Pursuant to the Agreement V, Youku Information Technology agreed to arrange certain artist groups of the Group to perform in entertainment content programs produced by Youku Information Technology.

Consideration

The consideration of RMB60,000 (including taxes) shall be payable by Youku Information Technology to Tianjin Yuehua through bank transfer.

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

F. Entertainment Content Program Production Agreement dated January 24, 2024

On January 24, 2024, Yuehua Limited entered into an entertainment content program production agreement with Youku Information Technology (the "**Agreement VI**"), pursuant to which certain managed artists of the Group would perform in entertainment content programs produced by Youku Information Technology.

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

Date: January 24, 2024

Parties:

- (i) Yuehua Limited; and
- (ii) Youku Information Technology.

Subject matter

Pursuant to the Agreement VI, Yuehua Limited agreed to arrange certain managed artists of the Group to perform in entertainment content programs produced by Youku Information Technology.

DIRECTORS' REPORT (continued)

Consideration

The consideration of RMB30,000 (including taxes) shall be payable by Youku Information Technology to Yuehua Limited through bank transfer.

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

G. 2024 Business Cooperation Framework Agreement dated May 3, 2024

Principal terms

Reference is made to the Business Cooperation Framework Agreement with Youku Information Technology (including and on behalf of its affiliates) as disclosed in the section headed "Connected Transactions" of the Company's Prospectus (the **"Existing Framework Agreement"**), pursuant to which the term of the Existing Framework Agreement expired on December 31, 2023. On May 3, 2024, the Company and Youku Information Technology entered into the 2024 Business Cooperation Framework Agreement, pursuant to which, the Continuing Connected Transaction is renewed commencing from May 3, 2024 and will terminate on December 31, 2024 (the **"2024 Business Cooperation Framework Agreement"**). Pursuant to the 2024 Business Cooperation Framework Agreement, Yuehua Limited (for itself and on behalf of its subsidiaries) shall procure suitable managed artists to perform relevant engagements with Youku Information Technology, including but not limited to entering into endorsement deals for the promotion of Youku membership, performing in variety programs, movies and drama series and other commercial activities.

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

The term of the 2024 Business Cooperation Framework Agreement expired on December 31, 2024. We renewed the Youku Information Technology Agreement on December 5, 2024, which will expire on December 31, 2025, and would be renewed for a term of no more than three years subject to the parties' negotiation and applicable laws and regulations. For more details, please refer to the Company's announcement dated December 5, 2024.

DIRECTORS' REPORT (continued)

Reasons for and benefits of the transactions

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

Pricing policy

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

The Company has followed the pricing policies as disclosed in the Company's announcement dated May 3, 2024 and this report in respect of the above continuing connected transactions for the year ended December 31, 2024.

Annual caps and actual transactions amounts for the Reporting Period

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

	Proposed annual caps ⁽¹⁾ (RMB in thousands)	Actual transaction amounts (RMB in thousands)
Youku Information Technology Agreement	22,000	3,909

Note:

- (1) Given the Youku Information Technology Agreement was renewed on May 3, 2024, the annual cap for the year ended December 31, 2024 only covers transactions conducted within the period commencing on the date of execution of the renewed Youku Information Technology Agreement and ended on December 31, 2024.

Listing Rules implications

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

DIRECTORS' REPORT (continued)

Continuing Connected Transaction with Shine Entertainment

A. Entertainment Content Program Production Agreement dated March 1, 2024

On March 1, 2024, Yuehua Limited entered into an entertainment content program production agreement with Shine Entertainment (the "**March 1, 2024 Agreement**"), pursuant to which certain managed artists of the Group would perform in entertainment content programs produced by Shine Entertainment.

The principal terms of the March 1, 2024 Agreement are set out below:

Date: March 1, 2024

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

Subject matter

Pursuant to the March 1, 2024 Agreement, Yuehua Limited agreed to arrange certain managed artists of the Group to perform in entertainment content programs produced by Shine Entertainment.

Consideration

The consideration of RMB60,000 (including taxes) shall be payable by Shine Entertainment to Yuehua Limited through bank transfer.

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

B. Shine Entertainment Agreement dated May 8, 2024

Principal terms

On May 8, 2024, Yuehua Limited entered into a business cooperation framework agreement with Shine Entertainment (including and on behalf of its subsidiaries) (the "**Shine Entertainment Agreement**"), pursuant to which (i) Yuehua Limited (for itself and on behalf of its subsidiaries) will license the music IP rights of musical works owned by Yuehua Limited for the commercial activities, including but not limited to the production of variety programs and commercial or non-commercial use; and (ii) Yuehua Limited shall procure managed artist(s) or artist group(s) to perform relevant engagements with Shine Entertainment, including but not limited to performing in variety programs, movies and drama series and participating in commercial or non-commercial activities.

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

DIRECTORS' REPORT (continued)

The term of the Shine Entertainment Agreement commenced on May 8, 2024 and expired on December 31, 2024. We renewed the Shine Entertainment Agreement on December 5, 2024, which will expire on December 31, 2025, and would be renewed for a term of no more than three years subject to the parties' negotiation and applicable laws and regulations. For more details, please refer to the Company's announcement dated December 5, 2024.

Reasons for and benefits of the transactions

Given that Shine Entertainment has years of experience in the production of variety programs, filming and TV series in the PRC, the Group can leverage on the cooperation with Shine Entertainment to further enhance our managed artists and artist groups' public exposure through their participation across various variety programs. Furthermore, the cooperation will empower us with more opportunity to establish business relationships with our business partners such as business promotional activities.

Based on the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the transactions under the Shine Entertainment Agreement are conducted by the Group on normal commercial terms and in its ordinary and usual course of business, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the annual cap in respect of the continuing connected transactions under the Shine Entertainment Agreement is also fair and reasonable.

Pricing policy

The fees we charge Shine Entertainment shall be determined after arm's length negotiation between parties with reference to various related commercial factors, including (i) the forms of promotion activities and promotion period; (ii) the cost and expenses of the music IP production; (iii) the popularity of the managed artist who participated in the variety program or performed the designated song; (iv) the prevailing market rates of engagement fees for attending the same and similar functions by artists of the same ranking; (v) the quality and impacts of the relevant engagement; (vi) the prevailing market rates of engagement fees for licensing the same and similar music IPs; (vii) the popularity of the designated song; (viii) the forms in which the licensee would use the designated song; and (ix) the workload and duration of the relevant engagement. The aforesaid factors setting the consideration are no more favorable than those available to the Group's other customers which are Independent Third Parties.

The Company has followed the pricing policies as disclosed in the Company's announcement dated May 8, 2024 and this report in respect of the above continuing connected transactions for the year ended December 31, 2024.

Annual caps and actual transactions amounts for the Reporting Period

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

	Proposed annual caps ⁽¹⁾ (RMB in thousands)	Actual transaction amounts (RMB in thousands)
Shine Entertainment Agreement	24,000	6,722

Note:

- (1) Given the Shine Entertainment Agreement was entered on May 8, 2024, the annual cap for the year ended December 31, 2024 only covers transactions conducted within the period commencing on the date of execution of the Shine Entertainment Agreement and ended on December 31, 2024.

DIRECTORS' REPORT (continued)

Listing Rules implications

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

Continuing Connected Transaction with Nice Future

Principal terms

On April 19, 2024, Yuehua Limited entered into a business cooperation framework agreement with Nice Future (the **"Nice Future Agreement"**), pursuant to which (i) Yuehua Limited agrees to, subject to the terms and region as set forth in the Nice Future Agreement, exclusively authorize its rights related to the virtual artist project (including but not limited to the operation rights, IP rights, copyright, domain names, accounts, codes, musical works and equipment) to Nice Future and one of its wholly owned subsidiaries; and (ii) Nice Future, together with its wholly owned subsidiaries, shall utilize their business resources to comprehensively promote the virtual artist project through, among others, the operation of human actors behind the virtual artists, event planning, technical services and business promotion, and bear the related costs incurred in the cooperation.

Supplemental agreements may be entered into between the parties in writing to set out details of cooperation, operation and other rights and obligations of the parties, based on the principles and within the parameters provided under the Nice Future Agreement.

The Nice Future Agreement shall have a term of three years from the date of its execution on April 19, 2024 to April 18, 2027 (both days inclusive).

Reasons for and benefits of the transactions

Nice Future has been an important market player in the areas of virtual artist operation with accumulated experiences over the years. Given the operation and management of A-Soul requires a quantity of professional human resources as well as branding and marketing efforts, the Directors are of the view that the business cooperation with Nice Future instead of operating A-Soul by the Group itself, would be economically effective to the Company to save money and human resources to be invested in the operation of A-Soul. In addition, the Directors believe that the Nice Future would manage and operate A-Soul professionally and satisfactorily given its track record in developing and operating virtual artists.

The Directors (including the independent non-executive Directors) are of the view that the transactions under the Nice Future Agreement are conducted by the Group on normal commercial terms and in its ordinary and usual course of business, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the annual caps in respect of the continuing connected transactions under the Nice Future Agreement are also fair and reasonable.

Pricing policy

Pursuant to the Nice Future Agreement, the fee Nice Future shall pay to Yuehua Limited is determined through arm's length basis by the parties with reference to various related commercial factors, including (i) the term of the business cooperation and forms of promotion and operation of the virtual artist project; (ii) the popularity of the virtual artists; (iii) the prevailing market rates of entering similar agreement with other comparable business partners; (iv) the asset, technology and human resources invested in the business cooperation; and (v) the expected market performance and business benefit. The aforesaid pricing policies are no more favorable than those available to our other business partners which are Independent Third Parties.

The Company has followed the pricing policies as disclosed in the Company's announcements dated May 8 and July 16, 2024 and this report in respect of the above continuing connected transactions for the year ended December 31, 2024.

DIRECTORS' REPORT (continued)

Annual caps and actual transactions amounts for the Reporting Period

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

	Proposed annual caps ⁽¹⁾ (RMB in thousands)	Actual transaction amounts (RMB in thousands)
Nice Future Agreement	13,300	6,643

Note:

- (1) Given the Nice Future Agreement was entered on April 19, 2024, the annual cap for the year ended December 31, 2024 only covers transactions conducted within the period commencing on the date of execution of the Nice Future Agreement and ending on December 31, 2024.

Listing Rules implications

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

Save as disclosed above, for the year ended December 31, 2024, the Company had no connected transactions or continuing connected transactions which were required to be disclosed under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

Confirmation from Independent Non-executive Directors

For the year ended December 31, 2024, the independent non-executive Directors have reviewed the aforesaid non-exempt continuing connected transactions with Youku Information Technology, Shine Entertainment and Nice Future and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interest of the Company and Shareholders as a whole.

Confirmation from the Company's Auditor

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

DIRECTORS' REPORT (continued)

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

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) have exceeded the annual caps as set by the Company.

RELATED PARTY TRANSACTIONS

Details of related party transactions in the normal course of business are set out in Note 38 to the consolidated financial statements. Save as disclosed above, none of these related party transactions constitutes connected transactions or continuing connected transactions as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed the transactions in this annual report.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

PLEDGE OF SHARES BY THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders of the Company did not pledge any of their Shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended December 31, 2024.

MANAGEMENT CONTRACTS

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

CHARITABLE DONATIONS

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

SIGNIFICANT LEGAL PROCEEDINGS

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

DIRECTORS' REPORT (continued)

PERMITTED INDEMNITY PROVISION

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

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

ADVANCE TO ENTITY PROVIDED BY THE COMPANY

During the year ended December 31, 2024, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 81 to 96 of this report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2024.

AUDITOR

The Company has appointed SHINEWING (HK) CPA Limited as the auditor of the Company for the year ended December 31, 2024. The financial statements of the Company for the year ended December 31, 2024 have been audited by SHINEWING (HK) CPA Limited.

The Board has appointed SHINEWING (HK) CPA Limited as the new auditor of the Company with effect from December 5, 2024, to fill the vacancy following the resignation of PricewaterhouseCoopers. Save as disclosed above, there was no other change of auditors of the Company in the preceding three years.

By order of the Board

Ms. DU Hua

Chairlady and Chief Executive Officer

Hong Kong, March 28, 2025

CORPORATE GOVERNANCE REPORT

The Company is committed to good corporate governance practices in order to safeguard the interests of the Shareholders. The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

CORPORATE STRATEGY AND CULTURE

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders of the Company. The Company has adopted the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

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

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

CORPORATE GOVERNANCE REPORT (continued)

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who would likely possess inside information of the Company. Specific enquiries have been made to all Directors and each of the Directors has confirmed that he/she has strictly complied with the required standards set out in the Model Code during the Reporting Period.

THE BOARD

Board Composition

As of the date of this annual report, the Board comprises 3 executive Directors, 1 non-executive Director and 3 independent non-executive Directors:

Executive Directors

Ms. DU Hua⁽¹⁾ (*Chairlady and chief executive officer*)
Mr. SUN Yiding⁽¹⁾
Mr. SUN Le

Non-executive Director

Mr. MENG Jun

Independent Non-executive Directors

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

Note:

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

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

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

CORPORATE GOVERNANCE REPORT (continued)

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

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

Ms. DU Hua is currently serving as the Chairperson of the Board as well as the chief executive officer of the Company. As Ms. Du is the founder of our Group and the overall strategic planning and business direction and day-to-day management of our Group. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

BOARD INDEPENDENCE

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

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

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

Each of the independent non-executive Director has confirmed his independence pursuant to the factors set out in Rule 3.13 of the Listing Rules. The Company is of the view that the diversity of experience, skills, expertise and background of each of the independent non-executive Directors and all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Board considers that they are independent.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

CORPORATE GOVERNANCE REPORT (continued)

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

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

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

Continuous Professional Development of Directors

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

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

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

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

Notes:

- (a) Participating in the training offered by Cooley HK and/or SWCS Corporate Services Group (Hong Kong) Limited and related to the Company's business and anti-corruption training.
- (b) Reading materials on a variety of topics, including corporate governance issues, Directors' duties, Listing Rules and other relevant laws.

CORPORATE GOVERNANCE REPORT (continued)

Appointment and Re-election of Directors

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

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for a term of one year with effect from the Listing Date or June 21, 2024, and will continue thereafter until terminated in certain circumstances as stipulated in the relevant letters of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration.

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

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

Accordingly, Mr. FAN Hui, Mr. LU Tao and Mr. HUANG Jiuling shall retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

Details of the Directors to be re-elected at the AGM will be set out in the circular to be published on the websites of the Stock Exchange and the Company and will be despatched to the Shareholders who request the printed copy in due course.

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

CORPORATE GOVERNANCE REPORT (continued)

BOARD, COMMITTEE MEETINGS AND GENERAL MEETINGS

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

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

Name of Director	Number of meetings attended/held during the Director's term of office	
	Board meetings	General Meeting
Executive Directors		
Ms. DU Hua	6/6	1/1
Mr. SUN Yiding	6/6	1/1
Mr. SUN Le	6/6	1/1
Non-executive Directors		
Mr. MENG Jun	6/6	1/1
Ms. YAO Lu ⁽¹⁾	0/0	0/0
Independent Non-executive Directors		
Mr. FAN Hui	6/6	1/1
Mr. LU Tao	6/6	1/1
Mr. HUANG Jiuling	6/6	1/1

Note:

(1) Ms. YAO Lu has resigned as a non-executive Director with effect from February 5, 2024.

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT (continued)

Audit Committee

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. FAN Hui, Mr. LU Tao and Mr. HUANG Jiuling. Mr. FAN Hui, being the chairperson of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the Reporting Period, the Audit Committee held four meetings, during which the Audit Committee reviewed, among other things, the annual results of the Group for the year ended December 31, 2023, the interim results of the Group for the six months ended June 30, 2024, and assessing the appointment of the auditor of the Company and believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The Audit Committee has reviewed all material internal control rules, including the financial and operational and compliance controls, as well as risk management of the Group in 2024. The Audit Committee was satisfied with the effectiveness and sufficiency of the internal control mechanism in its operations.

According to code provision D.3.3(e)(i) under part 2 of the CG Code and the terms of reference of the Audit Committee of the Company, the Audit Committee must meet, at least twice a year, with the Company's auditors. The members of Audit Committee met two times with the external auditor during the year ended December 31, 2024. The following is the attendance of each member during such time:

Name of Directors	Attendance/Number of Meetings Held
Mr. FAN Hui (Chairperson)	4/4
Mr. LU Tao	4/4
Mr. HUANG Jiuling	4/4

Remuneration Committee

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

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

CORPORATE GOVERNANCE REPORT (continued)

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

Name of Directors	Attendance/Number of Meetings Held
Mr. LU Tao (<i>Chairperson</i>)	1/1
Mr. SUN Yiding	1/1
Mr. HUANG Jiuling	1/1

Nomination Committee

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

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

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

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

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

Name of Directors	Attendance/Number of Meetings Held
Ms. DU Hua (<i>Chairperson</i>)	1/1
Mr. LU Tao	1/1
Mr. FAN Hui	1/1

CORPORATE GOVERNANCE REPORT (continued)

Corporate Governance Functions

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

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

BOARD DIVERSITY POLICY

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

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, publicity and marketing, content development, investment and financing, accounting and financial management. They obtained degrees in various majors including business administration, international journalism, marketing, accounting, business economics and statistics. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Our Board Diversity Policy is well implemented as evidenced by the fact that there are both male and female Directors ranging from 43 years old to 59 years old with different backgrounds and experiences. The Company currently has a female chairlady and chief executive officer. The Company will endeavor to at least maintain one female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Company also plans to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. At present, the Nomination Committee considered that the Board is sufficiently diverse. The Nomination Committee will review the Board Diversity Policy on an annual basis, to ensure its effectiveness.

As of December 31, 2024, as set out in Appendix I "Sustainability Data Summary" to the ESG Report as contained in this report, among the 207 employees (including senior management) of the Group, the percentages of male employees and female employees are 26.6% and 73.4%, respectively. The Board considers that the Group's workforce (including senior management) is sufficiently diverse in terms of gender. The Company is committed to creating a fair, unbiased, equal and diversified recruitment and working environment. Information about the diversity, including the gender diversity, in the workforce during the Reporting Period are set out in Appendix I "Sustainability Data Summary" to the ESG Report contained in this report.

CORPORATE GOVERNANCE REPORT (continued)

AUDITOR'S REMUNERATION

The remuneration paid or payable to the external auditor of the Company, SHINEWING (HK) CPA Limited, in respect of audit services for the year ended December 31, 2024 amounted to RMB1,651,000, the non-audit services provided by the auditor for the year ended December 31, 2024 was nil.

JOINT COMPANY SECRETARIES

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended December 31, 2024. A statement from the auditor about its reporting responsibilities on the consolidated financial statements is set out under the section headed "Independent Auditor's Report" in this report. In preparing the consolidated financial statements for the year ended December 31, 2024, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Operational Risk Management

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

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

CORPORATE GOVERNANCE REPORT (continued)

Regulatory Compliance Risk Management

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

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

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

- We have adopted the compliance management policies, under which a compliance team is responsible for identifying, assessing and controlling the compliance risks and also monitoring our daily operation and our employees' behaviors.
- Our internal teams also work together to help our managed artists and their related entities stay informed of the latest regulations.
- We have adopted internal control policies to manage the amounts of artists' remuneration and monitor the remuneration cost ratios. We require our artist operation team to evaluate and review the amounts of artists' remuneration and the corresponding remuneration cost ratios in the movies, drama series and variety shows we produce, invest in or our managed artists participate in, and to timely report anomalies to the management.
- We provide trainings to our senior management on the listing rules, disclosure management, corporate governance, changes in laws, regulations and policies. We also provide trainings to our employees on the evolving regulatory requirements and inform all employees of changes in laws and regulations, including the recent regulatory development in the entertainment industry in China.
- We also provide relevant materials and trainings to our managed artists on regulatory changes and monitor their behaviors when necessary.
- We are committed to continually improving our internal policies according to changes in laws, regulations and industry standards to better manage any regulatory compliance risks.

Financial Reporting Risk Management

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

Intellectual Property Rights Risk Management

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

CORPORATE GOVERNANCE REPORT (continued)

Human Resources Risk Management, Anti-Corruption and Whistleblowing Policy

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

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

Artists' Conduct Risk Management

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

- We will conduct background search on artists before we enter into artist management contract with them.
- Our contracts with customers include that the customer shall not arrange any works for our managed artists which are in breach of any laws, regulations, public orders and/or customs nor any works that will infringe the artists' reputation, privacy, or involve in controversial political stance.
- Our artist promotion team is tasked with monitoring public opinion of our managed artists and giving proper advice on the information and public image the artists conveyed to the public, including the contents published by artists in their Weibo accounts and other social media accounts.
- We carefully select business projects for our managed artists, and review the contracts we enter into with our customers to ensure that they do not contain anything that is prohibited under the Notices, such as content designed to incite fans to spend money irrationally.
- We also have a morals clause in our artist management contracts and trainee contracts, which prohibits them to commit any illegal or immoral acts, and would allow us to terminate the contract if a managed artist or trainee commits misconduct that might negatively affect our reputation.
- We have set up the official social media accounts for followers of our managed artists on Weibo, which enable us to communicate the regulatory changes to followers and help them act responsibly on the internet.
- We pay close attention and regularly check with the announcements or other publications circulated by relevant administrative authorities and the "Warning List (警示名單)" circulated by China Association of Performing Arts (CAPA).
- We circulate the updated laws, regulations and policies in relation to the entertainment industry, including the personal speech and behavior, maximum wage order and taxation management, to each of managed artists or their related entities from time to time. For example, in relation to taxation management, we provide them with advice when they have tax-related questions, and inquire about the tax compliance status of our artists and their related entities from time to time and remind them to fulfill their tax obligations.

CORPORATE GOVERNANCE REPORT (continued)

Inside Information

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

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

Effectiveness of Risk Management and Internal Control

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

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

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

The Company has established a connected transaction task force, consisting of key members from finance department, internal control department, investor relations department and legal department, which is responsible for monitoring relevant connected transactions, including their compliance with relevant Listing Rules and reviewing the ongoing compliance such as the annual caps and fairness of pricing policies and to update the list of connected persons on a regular basis.

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

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

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group during the Reporting Period and will continuously monitor and review the effectiveness of its operation on an annual basis. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial functions to be adequate. The Board is of the view that there has been no deficiency in material risk control nor any weakness in material risk control based on the outcome of the risk management and internal control work implemented by the Group as of December 31, 2024 and the current risk management and internal control measures effectively and adequately cover the existing businesses of the Group, and will continue to be optimized in line with the business development of the Group.

CORPORATE GOVERNANCE REPORT (continued)

DIVIDEND POLICY

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Board proposed to amend the second amended and restated articles of association of the Company (the “**Articles of Association**”) for the purpose of, among others, updating and bringing the Articles of Association in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from December 31, 2023, as well as other housekeeping changes (the “**Proposed Amendments**”). The Proposed Amendments to the Articles of Association was approved on the AGM dated June 21, 2024.

Apart from above, no changes were made to the Articles of Association during the Reporting Period.

CORPORATE GOVERNANCE REPORT (continued)

COMMUNICATION WITH SHAREHOLDERS

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

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

- (i) corporate communications such as annual reports, interim reports and circulars are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at <https://www.yuehuamusic.com/>;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website at <https://www.yuehuamusic.com/>;
- (iv) AGMs and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Hong Kong branch share registrar of the Company serves the Shareholders in respect of Share registration, dividend payment and related matters.

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

CORPORATE GOVERNANCE REPORT (continued)

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

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

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

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

Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company at Room 6006, 6/F, Building One, Yard 28, Chuangyuan Road, Chaoyang District, Beijing, PRC (Attention: Department of Investor Relations).

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

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF YH ENTERTAINMENT GROUP

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of YH Entertainment Group ("**the Company**") and its subsidiaries (hereinafter collectively referred to as "**the Group**") set out on pages 102 to 188, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT_(continued)

KEY AUDIT MATTERS _(continued)

The key audit matter

Revenue recognition of artist management services

Refer to Notes 2.19(a) and 7 to the consolidated financial statements.

The Group's revenue is primarily from the provision of artist management services which amounted to approximately RMB694.6 million for the year ended 31 December 2024, representing approximately 90.8% of the Group's total revenues for the year.

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

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

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

How the matter was addressed in our audit

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

- We obtained an understanding of management's internal control and process over the revenue recognition of artist management services and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity;
- We understood, evaluated and tested the internal controls, on a sample basis, in respect of the revenue recognition of artist management services provided by the Group;
- We obtained, on a sample basis, the Group's artist management service contracts with customers and assessed the appropriateness of the Group's revenue recognition policies based on the key terms and conditions of the service contracts, including the identification of performance obligations and the timing for which control of the services is transferred, with reference to the requirements of the prevailing accounting standards; and
- We tested, on a sample basis, revenue transactions by (i) evaluating the key terms and conditions of the underlying contracts; (ii) checking media and news coverage to support the occurrence of commercial activities and entertainment content services; (iii) examining settlements from customers; and (iv) recalculating the revenue amount to assess the accuracy of the revenue recognised and whether the recognition was made in the appropriate financial period.

INDEPENDENT AUDITOR'S REPORT_(continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT_(continued)

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

(continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT_(continued)

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

(continued)

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

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2024.

The engagement partner on the audit resulting in this independent auditor's report is Kwan Chi Fung.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Kwan Chi Fung

Practising Certificate Number: P06614

Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	7	764,538	755,681
Cost of revenue		(608,487)	(580,646)
Gross profit		156,051	175,035
Selling and marketing expenses		(59,039)	(38,550)
General and administrative expenses		(94,147)	(134,214)
Net impairment losses reversal/(provision) on financial assets	4.1(b)	2,814	(8,678)
Other income	9	19,920	22,811
Other gains, net	10	29,042	14,707
Operating profit		54,641	31,111
Finance income	12	29,406	35,511
Finance costs	12	(11,760)	(3,997)
Finance income, net		17,646	31,514
Share of losses of investments accounted for using the equity method	20	(2,044)	(7,171)
Fair value changes of convertible preferred shares	35	–	(160,524)
Profit/(loss) before income tax		70,243	(105,070)
Income tax expenses	13	(25,926)	(37,518)
Profit/(loss) for the year	8	44,317	(142,588)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Other comprehensive (expense)/income			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		(6,882)	1,448
<i>Item that will not be reclassified to profit or loss:</i>			
Currency translation differences		(11,939)	69,969
Other comprehensive (expense)/income for the year, net		(18,821)	71,417
Total comprehensive income/(expense) for the year		25,496	(71,171)
Profit/(loss) attributable to:			
Owners of the Company		46,942	(140,837)
Non-controlling interests		(2,625)	(1,751)
		44,317	(142,588)
Total comprehensive income/(expense) attributable to:			
– Owners of the Company		28,414	(69,962)
– Non-controlling interests		(2,918)	(1,209)
		25,496	(71,171)
Earnings/(losses) per share (expressed in RMB per share)	15		
Basic		0.06	(0.17)
Diluted		0.06	(0.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	561,024	103,520
Right-of-use assets	18	1,960	13,564
Investment properties	17	64,312	14,141
Intangible assets	19	21,913	4,366
Investments accounted for using the equity method	20	8,947	16,608
Financial assets at fair value through profit or loss	23	129,413	123,505
Prepayments and other receivables	26	17,212	517,604
Deferred income tax assets	31	4,339	4,693
		809,120	798,001
Current assets			
Inventories	24	6,958	5,026
Trade receivables	25	71,912	95,687
Prepayments and other receivables	26	58,838	17,334
Other assets	21	23,151	–
Financial assets as fair value through profit or loss	23	244,653	107,000
Investments measured at amortised cost	27	–	300,754
Restricted cash	28	12,300	12,300
Term deposits	28	436,131	95,453
Cash and cash equivalents	28	386,063	613,371
		1,240,006	1,246,925
Total assets		2,049,126	2,044,926
EQUITY			
Share capital	29	587	587
Reserves	30	1,393,535	1,319,494
Equity attributable to owners of the Company		1,394,122	1,320,081
Non-controlling interests		446	3,064
Total equity		1,394,568	1,323,145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	91,492	249,236
Contract liabilities		6,667	24,576
Lease liabilities	18	576	6,484
Deferred tax liabilities	31	553	1,737
		99,288	282,033
Current liabilities			
Borrowings	32	70,831	16,931
Trade payables	33	202,652	149,603
Other payables and accruals	34	50,224	52,268
Contract liabilities		184,019	173,054
Current income tax liabilities		46,457	40,921
Lease liabilities	18	1,087	6,971
		555,270	439,748
Total liabilities		654,558	721,781
Total equity and liabilities		2,049,126	2,044,926

The consolidated financial statements on pages 102 to 188 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

Du Hua
Executive Director

Zhang Wensheng
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Note	Attributable to owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share Premium RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
At 1 January 2024		587	1,418,444	(3)	(2,344,927)	2,245,980	1,320,081	3,064	1,323,145
Profit for the year		-	-	-	-	46,942	46,942	(2,625)	44,317
Currency translation differences		-	-	-	(18,528)	-	(18,528)	(293)	(18,821)
Total comprehensive (expense)/income for the year		-	-	-	(18,528)	46,942	28,414	(2,918)	25,496
Transactions with owners:									
Equity settled share-based payments	40	-	-	-	51,332	-	51,332	-	51,332
Purchase of treasury shares		-	-	(5,787)	-	-	(5,787)	-	(5,787)
Issuance of shares in connection with vesting of restricted share units		-	81	1	-	-	82	-	82
Contribution from shareholder for a new subsidiary		-	-	-	-	-	-	300	300
Total transactions with owners of the Company		-	81	(5,786)	51,332	-	45,627	300	45,927
At 31 December 2024		587	1,418,525	(5,789)	(2,312,123)	2,292,922	1,394,122	446	1,394,568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2024

	Notes	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share Premium RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	
At 1 January 2023		50	–	(4)	(2,507,993)	2,386,821	(121,126)	(116,853)
Loss for the year		–	–	–	–	(140,837)	(140,837)	(142,588)
Currency translation differences		–	–	–	70,875	–	70,875	71,417
Total comprehensive income/(expense) for the year		–	–	–	70,875	(140,837)	(69,962)	(71,171)
Transactions with owners:								
Equity settled share-based payments	40	–	–	–	92,187	–	92,187	92,187
Issuance of shares in connection with vesting of restricted share units		–	114	1	–	–	115	115
Issuance of ordinary shares and capitalisation issue	29(a), (c)	368	397,965	–	–	–	398,333	398,333
Conversion of convertible preferred shares into ordinary share	29(b)	169	1,020,365	–	–	–	1,020,534	1,020,534
Appropriation for statutory surplus reserve		–	–	–	4	(4)	–	–
Total transactions with owners of the Company		537	1,418,444	1	92,191	(4)	1,511,169	1,511,169
As at 31 December 2023		587	1,418,444	(3)	(2,344,927)	2,245,980	1,320,081	1,323,145

The notes on pages 109 to 188 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	191,266	163,576
Income taxes paid		(21,220)	(55,663)
Net cash from operating activities		170,046	107,913
Cash flows from investing activities			
Payments for term deposit with original maturity of more than three months		(431,930)	(93,211)
Payments for financial assets at fair value through profit or loss		(248,078)	(134,581)
Purchase of property, plant and equipment		(60,255)	(8,416)
Purchase of intangible assets		(27,426)	(773)
Purchases of other assets		(23,151)	–
Advances of loans to third parties		(1,016)	(1,711)
Proceeds from disposal of investments measured at amortised cost		309,293	190,130
Proceeds from disposals of financial assets at fair value through profit or loss		107,413	257,571
Withdrawal of short-term bank deposits		95,453	–
Interest received from bank deposits		22,317	18,944
Proceeds from disposal of property, plant and equipment		872	82
Repayments from loans to third parties		455	1,437
Others		24	–
Prepayments for the purchase of a property		–	(480,011)
Payments for investments measured at amortised cost		–	(388,371)
Payments for investments accounted for using the equity method		–	(7,201)
Proceeds from disposal of investments accounted for using the equity method		–	200
Net cash used in investing activities		(256,029)	(645,911)
Cash flows from financing activities			
Contribution from shareholder for a new subsidiary		300	–
Issuance of shares in connection of restricted share units		82	115
Repayment of bank borrowings		(103,844)	–
Interest paid for borrowings		(10,883)	(3,377)
Payments for lease liabilities – principal and interest		(6,194)	(5,245)
Payments for share repurchase		(5,787)	–
Proceeds from issuance of ordinary shares upon listing		–	420,755
Proceeds from bank borrowings		–	200,000
Payments for listing expenses		–	(15,658)
Net cash (used in)/generated from financing activities		(126,326)	596,590
Net (decrease)/increase in cash and cash equivalents		(212,309)	58,592
Cash and cash equivalents at beginning of the year		613,371	528,660
Effect of exchange rate changes on cash and cash equivalents		(14,999)	26,119
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		386,063	613,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

YH Entertainment Group (“**the Company**”) was incorporated in the Cayman Islands on 10 June 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 19 January 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 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, 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. MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (“**IFRS**”) issued by International Accounting Standards Board (“**IASB**”) and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The comparative figures of share capital and share premium have been reclassified to conform to par value of share capital arise from the capitalisation issue. The comparative figure of bank borrowings of approximately RMB16,931,000 has been classified to current liability according to the repayment schedule. As there is no material impact on the consolidated statement of financial position, the consolidated statement of financial position as at 1 January 2023 is not presented.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation (continued)

(a) Amended standards adopted by the Group

For the current year, the Group has applied the amended standards effective for the financial year beginning on 1 January 2024. The adoption of these revised standards does not have any significant impact on the consolidated financial statements of the Group.

Amendments to IFRS 16	Lease liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

(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 1 January 2024 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.

Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after a date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

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

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

2.2.2 Associates

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

2.2.3 Equity method

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

(c) Group companies

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

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

2.5 Property, plant and equipment

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Property, plant and equipment (continued)

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

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

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

2.6 Investment properties

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

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

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

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

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

2.7 Intangible assets

(a) Software

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

(b) Music copyrights

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 Intangible assets (continued)

(c) Film rights

Movies under production are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of movies. Provisions are made for costs which are in excess of the expected future revenues generated by these movies.

(d) Virtual artist copyrights

The Group acquired licensed intellectual properties for virtual artists from third parties and these acquired licensed intellectual properties are stated at costs less accumulated amortisation and impairment. Their costs are expensed to the Group's consolidated statement of comprehensive income, within "cost of revenue", based on the pattern of which their future economic benefit useful life are expected be consumed by the Group, being straight line over their estimated useful lives, being generally 3 years.

2.8 Impairment of non-financial assets

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

2.9 Financial assets

(a) Classification

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Financial assets (continued)

(b) Recognition and derecognition

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

(c) Measurement

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains/(losses), net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains/(losses), net" in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Financial assets (continued)

(c) Measurement (continued)

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in "Other gains/(losses), net" in the consolidated statements of comprehensive income as applicable.

(d) Impairment

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Financial assets (continued)

(e) Derecognition

Financial assets

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

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

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

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

Other financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, canceled, or expired.

(f) Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.10 Inventories

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

2.11 Trade and other receivables

Trade receivables are amounts due from customers for service performed or inventories sold in the ordinary course of business.

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

2.12 Cash and cash equivalents

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

2.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.14 Borrowings

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

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

Borrowing costs are expensed in the period in which they are incurred.

2.15 Current and deferred income tax

The income tax expense for the period represents the sum of the tax currently payable and deferred tax.

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.16 Employee benefits

(a) Pension obligations

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

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

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

(c) Employee leave entitlements

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

2.17 Share-based benefits

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

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

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

At the end of each period, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.18 Provisions

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

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

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

2.19 Revenue recognition

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.19 Revenue recognition (continued)

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

(a) Artist management

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

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

(b) Music IP production and operation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.19 Revenue recognition (continued)

(b) Music IP production and operation (continued)

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

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

(c) Pan-entertainment business

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

2.20 Leases

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.20 Leases (continued)

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

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

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

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

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

2.21 Government grants

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

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

2.22 Interest income

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

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

2.23 Convertible preferred shares

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.23 Convertible preferred shares (continued)

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

3. SUMMARY OF OTHER ACCOUNTING POLICIES

3.1 Share capital

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

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

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise 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 recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognised assets and liabilities denominated in United States Dollars ("**USD**") whereas their functional currency is RMB. If USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for year ended 31 December 2024 would have been approximately RMB59,000 lower/higher (loss before income tax for the year ended 31 December 2023: approximately RMB37,000 higher/lower).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The functional currency of the Company is HKD, which is exposed to foreign currency risk with respect to the Company's monetary assets and liabilities denominated in RMB and USD. If RMB had strengthened/weakened by 5% against HKD with all other variables held constant, the profit before income tax for the year ended 31 December 2024 would have been approximately RMB22,000 lower/higher (loss before income tax for the year ended 31 December 2023: approximately RMB602,000 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.

(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 31 December 2024 and 2023, the Group's interest-bearing borrowings at floating rates were as follows:

	2024 RMB'000	2023 RMB'000
Borrowings at floating rates	162,323	66,167

As at 31 December 2024, if the interest rates on borrowings at floating rates has been 50 basis points higher with all other variables held constant, profit before income tax for the year then ended would have been approximately RMB812,000 lower/higher (2023: loss before income tax would have been approximately RMB331,000 higher/lower), mainly as a result of higher/lower interest expenses from borrowings.

(iii) Price risk

The Group is exposed to price risk mainly arising from investments held by the Group that are classified as financial assets at FVPL (Note 23). The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of FVPL at the end of the reporting period. If prices of the instrument held by the Group had been 5% higher/lower as at 31 December 2024, profit before income tax for the year would have been approximately RMB18,703,000 higher/lower as a result of gains/losses on financial instruments classified as at FVPL (loss before income tax for the year ended 31 December 2023: RMB11,525,000 lower/higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

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

(i) Risk management

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

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

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

(ii) Impairment of financial assets

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

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

Trade receivables

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

Measurement of expected credit loss on individual basis

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Measurement of expected credit loss on collective basis

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

On such basis, the loss allowance as at 31 December 2024 and 2023 was determined as follows for trade receivables:

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
As at 31 December 2024							
On collective basis							
Expected loss rate	3.54%	9.10%	17.67%	62.58%	66.67%	100.00%	11.27%
Gross carrying amount (RMB'000)	53,117	12,254	10,291	2,838	3	2,543	81,046
Loss allowance provision (RMB'000)	1,880	1,115	1,818	1,776	2	2,543	9,134
On individual basis							
Expected loss rate	–	–	–	–	100.00%	100.00%	100.00%
Gross carrying amount (RMB'000)	–	–	–	–	1,682	1,857	3,539
Loss allowance provision (RMB'000)	–	–	–	–	1,682	1,857	3,539
Total							
Expected loss rate	3.54%	9.10%	17.67%	62.58%	99.94%	100.00%	14.98%
Gross carrying amount (RMB'000)	53,117	12,254	10,291	2,838	1,685	4,400	84,585
Loss allowance provision (RMB'000)	1,880	1,115	1,818	1,776	1,684	4,400	12,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
As at 31 December 2023							
On collective basis							
Expected loss rate	5.68%	7.90%	17.09%	42.04%	68.79%	100.00%	16.55%
Gross carrying amount (RMB'000)	77,102	9,381	15,656	1,777	1,006	9,737	114,659
Loss allowance provision (RMB'000)	4,380	741	2,675	747	692	9,737	18,972
On individual basis							
Expected loss rate	–	–	–	100.00%	100.00%	100.00%	100.00%
Gross carrying amount (RMB'000)	–	–	–	3,585	5,951	1,857	11,393
Loss allowance provision (RMB'000)	–	–	–	3,585	5,951	1,857	11,393
Total							
Expected loss rate	5.68%	7.90%	17.09%	80.79%	95.49%	100.00%	24.09%
Gross carrying amount (RMB'000)	77,102	9,381	15,656	5,362	6,957	11,594	126,052
Loss allowance provision (RMB'000)	4,380	741	2,675	4,332	6,643	11,594	30,365

The movement of loss allowances for trade receivables for the years ended 31 December 2024 and 2023 are as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	30,365	22,814
Write-off	(17,631)	–
Impairment losses	38	7,529
Currency translation difference	(99)	22
At the end of the year	12,673	30,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables and investments measured at amortised 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 amortised cost comprises investments in debt instruments. The impairment loss of these financial assets carried at amortised 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 amortised cost are classified as stage 2 and subject to lifetime expected losses provision. When the other receivables and investments measured at amortised cost became past due for more than 90 days, they are treated as credit-impaired and therefore classified as stage 3.

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

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises 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 amortised 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 recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables and investments measured at amortised cost (continued)

Management uses three categories for other receivables and investments measured at amortised 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 amortised 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 amortised cost whose credit risk is in line with original expectations and/or past due for less than 30 days.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage 2	Other receivables and investments measured at amortised 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

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

As at 31 December 2024

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross carrying amount				
Loans to third parties	4,847	–	–	4,847
Rental and other deposits	3,565	–	–	3,565
Others	982	–	–	982
	9,394	–	–	9,394
Loss allowance				
Loans to third parties	193	–	–	193
Rental and other deposits	97	–	–	97
Others	880	–	–	880
	1,170	–	–	1,170
Expected credit loss rate	12.45%	–	–	12.45%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

As at 31 December 2023

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

The movement of loss allowances for other receivables and investments measured at amortised costs is as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	3,948	2,803
Impairment losses (reversal)/provision	(2,852)	1,149
Currency translation difference	74	(4)
At the end of the year	1,170	3,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2024						
Borrowings	76,000	14,712	44,145	57,148	192,005	162,323
Trade payables	202,652	–	–	–	202,652	202,652
Other payables and accruals	43,863	–	–	–	43,863	43,863
Lease liabilities	1,125	383	246	–	1,754	1,663
	323,640	15,095	44,391	57,148	440,274	410,501

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2023						
Borrowings	30,577	122,748	81,561	108,879	343,765	266,167
Trade payables	149,603	–	–	–	149,603	149,603
Other payables and accruals	41,189	–	–	–	41,189	41,189
Lease liabilities	7,345	3,295	4,440	–	15,080	13,455
	228,714	126,043	86,001	108,879	549,637	470,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents, term deposits and restricted cash. Total capital is calculated as total equity, as shown in the statement of financial position, plus net debt. As at 31 December 2024 and 2023, the Group has a net cash position.

4.3 Fair value estimation

4.3.1 Fair value hierarchy

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

The tables below analyse the Group's financial instruments carried at fair value as at 31 December 2024 and 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

4.3.1 Fair value hierarchy (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2024				
Financial assets at FVPL				
Investments in unlisted entities – current portion (Note 23(b))	–	–	244,653	244,653
Investments in unlisted entities – non-current portion (Note 23(b))	–	–	39,256	39,256
Investments in a listed entity (Note 23(d))	–	14,930	–	14,930
Investment in unlisted funds (Note 23(c))	–	–	75,227	75,227
	–	14,930	359,136	374,066
As at 31 December 2023				
Financial assets at FVPL				
Investments in wealth management products (Note 23(a))	–	–	107,000	107,000
Investments in unlisted entities – non-current portion (Note 23(b))	–	–	40,157	40,157
Investments in a listed entity (Note 23(d))	–	14,930	–	14,930
Investment in unlisted funds (Note 23(c))	–	–	68,418	68,418
	–	14,930	215,575	230,505

There was no transfer of fair value hierarchy levels during the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

4.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

There were no changes to valuation techniques during the years ended 31 December 2024 and 2023.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

4.3.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including investments in wealth management products, investments in unlisted entities, and investments in unlisted funds for the years ended 31 December 2024 and 2023.

	Financial assets at FVPL				
	Investments in wealth management products RMB'000	Investments in unlisted entities – current portion RMB'000	Investments in unlisted entities – non-current portion RMB'000	Investments in unlisted funds RMB'000	Total RMB'000
As at 1 January 2023	290,265	–	30,831	–	321,096
Additions	70,000	–	–	64,581	134,581
Disposals	(257,571)	–	–	–	(257,571)
Fair value changes	4,306	–	10,500	3,487	18,293
Currency translation differences	–	–	(1,174)	350	(824)
As at 31 December 2023	107,000	–	40,157	68,418	215,575
As at 1 January 2024	107,000	–	40,157	68,418	215,575
Additions	–	243,557	4,521	–	248,078
Disposals	(107,303)	–	(110)	–	(107,413)
Fair value changes	303	(2,600)	(5,490)	5,454	(2,333)
Currency translation differences	–	3,696	178	1,355	5,229
As at 31 December 2024	–	244,653	39,256	75,227	359,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

4.3.4 Valuation process, inputs and relationships to fair value

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

The valuation of the level 3 instruments mainly included financial assets, being investments in wealth management products (Note 23(a)), investments in unlisted entities (Note 23(b)) and investment in unlisted funds (Note 23(c)). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc.

The investments in wealth management products mainly represent the acquisition of principal-guaranteed and interest-bearing transferrable certificate of deposit issued by a large and reputable PRC commercial bank. The Group used discounted cash flows approach to determine the fair value of the financial product as at year end.

The unlisted investments represent the investments in certain privately owned companies and funds. The Group used market approach to evaluate the fair value of the unlisted investments as at each year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

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

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

Description	Fair value at December 31,		Key inputs and relationships of unobservable inputs to fair value
	2024 RMB'000	2023 RMB'000	
Investments in unlisted entities – non-current portion	39,256	40,157	Market approach Reference to a combination of unobservable inputs, including market multiples, discount rate for lack of marketability etc. The higher the market multiples, the higher the fair value. The lower the discount rate, the higher the fair value.
Investments in wealth management products	–	107,000	As at 31 December 2023, the expected rates of return range from 1.75% to 1.90%, 2.32% to 3.40%, respectively. The higher the expected rate of return, the lower the fair value.
Investment in unlisted funds	75,227	68,418	Reference to a combination of unobservable inputs, including market multiples, discount rate for lack of marketability etc. The higher the market multiples, the higher the fair value. The lower the discount rate, the higher the fair value.
Investments in unlisted entities – current portion	244,653	–	Reference to a combination of unobservable inputs, including the net assets of investments attributable to the Company, discount rate for lack of marketability etc. The higher the net assets value, the higher the fair value. The lower the discount rate, the higher the fair value.
Total	359,136	215,575	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

(b) Measurement of the expected credit losses

The measurement of the expected credit losses for financial assets measured at amortised 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 Note 4.1(b).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

5. 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, 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 recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. 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.

6. SEGMENT INFORMATION

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

Information reported to the chief operating decision markers for the purpose of resource allocation and performance assessment focuses on the operating results of the Group as a whole.

As a result, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

6. SEGMENT INFORMATION (continued)

The Group mainly operates its business in the PRC. During the years ended 31 December 2024 and 2023, breakdown of the total revenue by geographical location of the external customers is as follows:

	2024 RMB'000	2023 RMB'000
Mainland China	675,813	664,166
Korea	88,725	91,515
	764,538	755,681

As at 31 December 2024 and 2023, the Group's non-current assets other than financial instruments and deferred income tax assets were located in Mainland China and Korea as follows

	2024 RMB'000	2023 RMB'000
Mainland China	577,465	524,377
Korea	95,632	107,833
	673,097	632,210

During the years ended 31 December 2024 and 2023, there is no customers contribute more than 10% of the total revenue of the Group.

7. REVENUE

	2024 RMB'000	2023 RMB'000
Artist management	694,570	662,878
Music IP production and operation	42,212	70,299
Pan-entertainment business	27,756	22,504
	764,538	755,681

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

	2024 RMB'000	2023 RMB'000
Revenue at a point in time	167,362	243,885
Revenue over time	597,176	511,796
	764,538	755,681

During the years ended 31 December 2024 and 2023, there were no customers who contributed to 10% or more of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

7. REVENUE (continued)

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 31 December 2024 and 2023 was mainly due to fluctuations in sales with advanced payments.

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

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year	159,595	89,234

The amount of transaction prices allocated to the remaining unsatisfied or partially unsatisfied performance obligations at the end of the reporting period are as follows:

	2024 RMB'000	2023 RMB'000
Amount expected to be recognised as revenue:		
Within one year	348,080	330,121
More than one year	102,452	88,150
	450,532	418,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

8. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging:

	2024 RMB'000	2023 RMB'000
Directors' emoluments (excluding equity settled shared-based payments) (Note 11(c)):		
Director's fee	360	360
Wages, salaries and bonuses	3,404	3,989
Welfare, medical and other expenses	279	262
Contribution to pension plans	198	186
	4,241	4,797
Staff costs (excluding equity settled shared-based payments):		
Wages, salaries and bonuses	53,829	54,308
Welfare, medical and other expenses	11,439	8,104
Contribution to pension plans	4,820	4,802
	70,088	67,214
Total staff costs (including directors' emoluments and excluding equity settled shared-based payments)	74,329	72,011
Share-based compensation expenses for eligible individuals	51,332	92,187
Revenue sharing for artist management business	423,319	374,470
Impairment loss of intangible assets	2,785	–
Write-off of inventories	1,520	–
Impairment loss of investments accounted for using the equity method	2,332	–
Amortisation of intangible assets (Note 19)	7,094	835
Depreciation of property, plant and equipment (Note 16)	20,724	7,682
Depreciation of right-of-use assets (Note 18)	5,980	6,958
Depreciation of investment properties (Note 17)	442	184
Auditor's remuneration	1,651	3,000

9. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Tax credit of input tax additional deduction	–	686
Government subsidies (Note)	19,699	21,647
Rental income from investment properties	221	478
	19,920	22,811

Note: During the years ended 31 December 2024 and 2023, the Group received unconditional subsidies which was granted by the local government in recognition of the Group's contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

10. OTHER GAINS, NET

	2024 RMB'000	2023 RMB'000
Fair value gains from wealth management products (Note 23(a))	303	4,306
Net exchange gains/(losses)	30,472	(6,016)
Fair value gains from a listed entity (Note 23(d))	–	215
Fair value (loss)/gains from unlisted entities (Note 23(b))	(8,090)	10,500
Fair value gains from unlisted funds (Note 23(c))	5,454	3,487
Net gains on disposal of property, plant and equipment	431	44
Net gains on early termination of leases	1,033	–
Others	(561)	2,171
	29,042	14,707

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS)

	2024 RMB'000	2023 RMB'000
Wages, salaries, and bonuses	57,593	58,657
Welfare, medical and other expenses	11,718	8,366
Contributions to pension plans	5,018	4,988
	74,329	72,011

(a) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes partnerships which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

As at 31 December 2024 and 2023, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS) (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director for the year ended 31 December 2024 (2023: one), and their emoluments are reflected in the analysis shown in Note 11(c). The emoluments payable to the remaining four individuals during the year ended 31 December 2024 (2023: four) are as follows:

	2024 RMB'000	2023 RMB'000
Wages, salaries, and bonuses	7,625	5,745
Pension costs – defined contribution plans	201	160
Other social security costs, housing benefits and other employee benefits	385	399
Equity settled share-based payment	10,088	16,409
	18,299	22,713

	2024 Number of individuals	2023 Number of individuals
Emoluments bands (in Hong Kong dollars ("HK\$")):		
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$6,500,001 to HK\$7,000,000	2	–
HK\$7,500,001 to HK\$8,000,000	–	1
HK\$8,000,001 to HK\$8,500,000	–	1
	4	4

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS) (continued)

(c) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

	Director's fee RMB'000	Wages and Salaries RMB'000	Bonuses RMB'000	Pension cost- defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Equity settled share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2024							
Chair lady and executive director: Ms. Du	-	729	660	66	93	-	1,548
Executive directors:							
Mr. Sun Le	-	566	360	66	93	4,393	5,478
Mr. Sun Yiding	-	729	360	66	93	-	1,248
Non-executive director:							
Mr. Meng Jun	-	-	-	-	-	-	-
Mr. Yao Lu (Note)	-	-	-	-	-	-	-
Independent non-executive directors:							
Mr. Fan Hui	120	-	-	-	-	-	120
Mr. Huang Jiuling	120	-	-	-	-	-	120
Mr. Lu Tao	120	-	-	-	-	-	120
	360	2,024	1,380	198	279	4,393	8,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS) (continued)

(c) Directors' and chief executive's emoluments (continued)

	Director's fee RMB'000	Wages and Salaries RMB'000	Bonuses RMB'000	Pension cost- defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Equity settled share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2023							
Chair lady and executive director:							
Ms. Du	–	1,113	600	63	89	–	1,865
Executive directors:							
Mr. Sun Le	–	567	360	63	89	7,583	8,662
Mr. Sun Yiding	–	1,109	240	60	84	–	1,493
Non-executive director:							
Mr. Meng Jun (Note)	–	–	–	–	–	–	–
Mr. Yao Lu	–	–	–	–	–	–	–
Mr. Meng Qingguang (Note)	–	–	–	–	–	–	–
Ms. Zhao Wenjie (Note)	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Fan Hui	120	–	–	–	–	–	120
Mr. Huang Jiuling	120	–	–	–	–	–	120
Mr. Lu Tao	120	–	–	–	–	–	120
	360	2,789	1,200	186	262	7,583	12,380

Ms. Du, Mr. SUN Le and Mr. SUN Yiding were also directors of certain subsidiaries of the Company and/or employees of the Group during the years ended 31 December 2024 and 2023, and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group.

Note:

On 28 June 2023, Mr. MENG Qingguang and Ms. ZHAO Wenjie have resigned as non-executive directors, and Mr. Meng Jun has been appointed as a non-executive director with effect from 28 June 2023. Ms. YAO Lu has resigned as a non-executive director with effect from 5 February 2024. During the years ended 31 December 2024 and 2023, they did not receive directors' remuneration in the capacity of directors.

During the year ended 31 December 2024 and 2023, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; and no director waived or has agreed to waive any remuneration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS AND EXCLUDING EQUITY SETTLED SHARE-BASED PAYMENTS) (continued)

(d) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the years ended 31 December 2024 and 2023.

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of each reporting period or at any time during the years ended 31 December 2024 and 2023.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 38, no loans, quasi-loans or other dealings are entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2024 and 2023.

(g) Directors' material interests in transactions, arrangements or contract

Save as disclosed in Note 38, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

12. FINANCE INCOME AND FINANCE COST

	2024 RMB'000	2023 RMB'000
Finance income		
– Interest income from bank deposits	26,518	21,186
– Interest income from investments measured at amortised cost (Note 27)	2,888	14,325
	29,406	35,511
Finance costs		
– Interest expenses on bank borrowing	(10,883)	(3,377)
– Interest income on lease liabilities	(877)	(620)
	(11,760)	(3,997)

13. INCOME TAX EXPENSES

	2024 RMB'000	2023 RMB'000
Current income tax:		
PRC corporate income tax	26,556	36,209
Hong Kong Profits Tax	52	6
Korean corporate income tax	148	–
	26,756	36,215
Deferred tax (Note 31)	(830)	1,303
Income tax expenses	25,926	37,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

13. INCOME TAX EXPENSES (continued)

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to subsidiaries comprising the Group as follows:

	2024 RMB'000	2023 RMB'000
Profit/(loss) before tax expense	70,243	(105,070)
Tax calculated at the applicable tax rates of respective subsidiaries	10,371	7,671
Tax effect of share of loss of associates	511	1,793
Tax effect of non-deductible expenses	13,550	19,342
Tax effect of tax losses and temporary differences not recognised for deferred tax assets	1,494	8,712
Income tax expenses	25,926	37,518

(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

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

(c) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended 31 December 2024 and 2023.

As stipulated in Zang Zheng Fa 2022 No. 11, enterprises established in Tibet that fulfilled certain criteria could enjoy overall preferential CIT rate of 9% during the years from 1 January 2022 to 31 December 2025. Tibet Yuehua Culture Communication Co., Ltd., a subsidiary established in Tibet, was entitled to such CIT benefit during the years from 1 January 2022 to 31 December 2024, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

13. INCOME TAX EXPENSES (continued)

(d) Korea corporate income Tax

Korea corporate income tax has been provided at the rates of 9.9% on the first Korean Won ("KRW") 200,000,000 (equivalent to approximately RMB1,046,000 and RMB1,082,000 during the years ended 31 December 2024 and 2023) of the tax base, 20.9% up to KRW20,000,000,000 (equivalent to approximately RMB104,623,000 and RMB108,242,000 during the years ended 31 December 2024 and 2023), 23.1% for amounts up to KRW300,000,000,000 (equivalent to approximately RMB1,569,345,000 and RMB1,623,626,000 during the years ended 31 December 2024 and 2023) and 26.4% over KRW300,000,000,000 (equivalent to approximately RMB1,569,345,000 and RMB1,623,626,000 during the years ended 31 December 2024 and 2023) on the estimated assessable profits of the Group's operations in Korea during the years ended 31 December 2024 and 2023.

14. DIVIDENDS

The Board of Directors did not recommend the payment of final dividends for the year ended 31 December 2024 and 2023.

15. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic and diluted earnings/(losses) per share attributable to owners of the Company is based on the following:

	2024	2023
Profit/(loss) attributable to owners of the Company (RMB'000)	46,942	(140,837)
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings/(losses) per share	846,020,836	820,140,478
Basic and diluted earnings/(losses) per share (RMB)	0.06	(0.17)

For the year ended 31 December 2023, the weighted average number of ordinary shares had been adjusted for the effect of the capitalisation issue completed in January 2023 and was deemed to be effective throughout the year ended 31 December 2023.

For the purpose of computation of diluted earnings per share of the Company for the year ended 31 December 2024, the Company did not adjust for the restricted share unit as the assumed exercise prices of those share awards were higher than the average market price for shares of the Company during the year.

During the year ended 31 December 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 earnings/(losses) per share for the years ended 31 December 2024 and 2023 is the same as basic earnings/(losses) per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Building RMB'000	Furniture and office equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2023							
Cost	76,085	14,882	1,877	4,528	4,102	16,252	117,726
Accumulated depreciation	–	(1,241)	(1,080)	(2,147)	(2,026)	(8,231)	(14,725)
Net book amount	76,085	13,641	797	2,381	2,076	8,021	103,001
Year ended 31 December 2023							
Opening net book amount	76,085	13,641	797	2,381	2,076	8,021	103,001
Additions	–	–	82	1,339	317	6,678	8,416
Depreciation charge	–	(365)	(232)	(1,007)	(1,054)	(5,024)	(7,682)
Disposals	–	–	–	(1)	(37)	–	(38)
Currency translation differences	(128)	(29)	(1)	(1)	(4)	(14)	(177)
Closing net book amount	75,957	13,247	646	2,711	1,298	9,661	103,520
Year ended 31 December 2022							
Cost	75,957	14,857	1,957	5,858	4,165	22,926	125,720
Accumulated depreciation	–	(1,610)	(1,311)	(3,147)	(2,867)	(13,265)	(22,200)
Net book amount	75,957	13,247	646	2,711	1,298	9,661	103,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

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	Construction in progress RMB'000	Total RMB'000
At 1 January 2024								
Cost	75,957	14,857	1,957	5,858	4,165	22,926	–	125,720
Accumulated depreciation	–	(1,610)	(1,311)	(3,147)	(2,867)	(13,265)	–	(22,200)
Net book amount	75,957	13,247	646	2,711	1,298	9,661	–	103,520
Year ended 31 December 2024								
Opening net book amount	75,957	13,247	646	2,711	1,298	9,661	–	103,520
Addition	–	–	1,561	1,897	845	15,225	520,738	540,266
Transfer from construction in progress	–	453,578	–	–	–	62,544	(516,122)	–
Transfer from investment property	2,953	2,655	–	–	–	–	–	5,608
Transfer to investment property	–	(57,699)	–	–	–	–	–	(57,699)
Depreciation charge	–	(2,751)	(142)	(1,370)	(698)	(15,763)	–	(20,724)
Disposals	–	–	(394)	(47)	–	–	–	(441)
Currency translation differences	(7,936)	(1,387)	(2)	(88)	(33)	(60)	–	(9,506)
Closing net book amount	70,974	407,643	1,669	3,103	1,412	71,607	4,616	561,024
Year ended 31 December 2024								
Cost	70,974	412,169	1,876	6,973	4,924	77,583	4,616	579,115
Accumulated depreciation	–	(4,526)	(207)	(3,870)	(3,512)	(5,976)	–	(18,091)
Net book amount	70,974	407,643	1,669	3,103	1,412	71,607	4,616	561,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

17. INVESTMENT PROPERTIES

	Building RMB'000	Freehold land RMB'000	Total RMB'000
Year ended 31 December 2023			
Opening net book amount	6,902	7,451	14,353
Depreciation charge	(184)	–	(184)
Currency translation differences	(15)	(13)	(28)
Closing net book amount	6,703	7,438	14,141
At 31 December 2023			
Cost	7,517	7,438	14,955
Accumulated amortisation	(814)	–	(814)
Net book amount	6,703	7,438	14,141
Year ended 31 December 2024			
Opening net book amount	6,703	7,438	14,141
Transfer from property, plant and equipment	57,699	–	57,699
Transfer to property, plant and equipment	(2,655)	(2,953)	(5,608)
Depreciation charge	(442)	–	(442)
Currency translation differences	(701)	(777)	(1,478)
Closing net book amount	60,604	3,708	64,312
At 31 December 2024			
Cost	61,446	3,708	65,154
Accumulated amortisation	(842)	–	(842)
Net book amount	60,604	3,708	64,312

The fair value of the Group's investment properties as at 31 December 2024 was approximately RMB64,700,000 (31 December 2023: RMB14,898,000). The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The details of fair value of the investment properties are as below:

	2024 RMB'000	2023 RMB'000
Investment property located in PRC	57,738	–
Investment property located in Korea	6,962	16,547
	64,700	16,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

18. LEASES

(a) Amounts recognised in the statements of financial position

The statements of financial position show the following amounts relating to leases:

	2024 RMB'000	2023 RMB'000
Right-of-use assets		
– Buildings	849	11,871
– Motor vehicles	1,111	1,693
	1,960	13,564
Lease liabilities		
– Current	(1,087)	(6,971)
– Non-current	(576)	(6,484)
	(1,663)	(13,455)
	2024 RMB'000	2023 RMB'000
Lease liabilities – amounts payable		
Within one year	1,087	6,971
After one year but within two years	350	2,577
After two years but within five years	226	3,907
	1,663	13,455
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,087)	(6,971)
Amount due for settlement after 12 months	576	6,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

18. LEASES (continued)

(b) Right-of-use-assets

	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2023	7,713	2,868	10,581
Additions	10,122	–	10,122
Depreciation charge	(5,938)	(1,020)	(6,958)
Early termination of leases	–	(137)	(137)
Currency translation differences	(26)	(18)	(44)
As at 31 December 2023	11,871	1,693	13,564
As at 1 January 2024	11,871	1,693	13,564
Additions	859	290	1,149
Depreciation charge	(5,243)	(737)	(5,980)
Early termination of leases	(6,591)	–	(6,591)
Currency translation differences	(47)	(135)	(182)
As at 31 December 2024	849	1,111	1,960

(c) Amounts recognised in profit or loss

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

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets		
– Buildings	5,243	5,938
– Motor vehicles	737	1,020
Interest expense on lease liabilities (included in finance costs) (Note 12)	877	620
Expense relating to short-term low-value leases	2,339	2,558

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

18. LEASES (continued)

(d) Amounts recognised in profit or loss

	2024 RMB'000	2023 RMB'000
Cash outflows from operating activities		
– Payments for short-term leases	2,339	2,558
Cash outflows from financing activities		
– Payment of principal and interest element of lease liabilities	6,194	5,245

(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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

19. INTANGIBLE ASSETS

	Software RMB'000	Music copyrights RMB'000	Film rights- completed production RMB'000	Virtual artist copyrights RMB'000	Total RMB'000
At 1 January 2023					
Cost	596	12,348	30,838	–	43,782
Accumulated amortisation	(181)	(8,337)	(30,838)	–	(39,356)
Net book amount	415	4,011	–	–	4,426
Year ended 31 December 2023					
Opening net book amount	415	4,011	–	–	4,426
Additions	773	–	–	–	773
Amortisation charge	(222)	(613)	–	–	(835)
Currency translation differences	2	–	–	–	2
Closing net book amount	968	3,398	–	–	4,366
At 31 December 2023					
Cost	1,371	7,831	–	–	9,202
Accumulated amortisation	(403)	(4,433)	–	–	(4,836)
Net book amount	968	3,398	–	–	4,366
Year ended 31 December 2024					
Opening net book amount	968	3,398	–	–	4,366
Additions	28	–	–	27,398	27,426
Amortisation charge	(393)	(613)	–	(6,088)	(7,094)
Impairment loss (Note 8)	–	(2,785)	–	–	(2,785)
Closing net book amount	603	–	–	21,310	21,913
At 31 December 2024					
Cost	1,399	7,831	–	27,398	36,628
Accumulated amortisation	(796)	(5,046)	–	(6,088)	(11,930)
Provision for impairment loss	–	(2,785)	–	–	(2,785)
Net book amount	603	–	–	21,310	21,913

As at 31 December 2024, the Group provided impairment for certain music copyrights. The management considered that the recoverable amount of the music copyright is lower than the carrying amounts as the underlying music was outdated and bringing no more benefits to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2024 RMB'000	2023 RMB'000
At the beginning of the year	16,608	15,078
Additions	–	8,701
Deregistration of investments accounted for using the equity method	(3,285)	–
Share of losses of investments accounted for using the equity method	(2,044)	(7,171)
Impairment loss	(2,332)	–
At the end of the year	8,947	16,608

Beijing Wuyin Digital Technology Co., Ltd and Beijing Leyu Intelligent Technology Co., Ltd, with carrying value approximate of RMB1,785,000 and RMB1,500,000 respectively, were deregistered during the year ended 31 December 2024.

During the year ended 31 December 2024, the Company provided impairment loss approximate of RMB2,332,000 to investment in Hangzhou Xiaoguoyuan Network Information Technology Co., Ltd., due to poor financial performance and change in market demand.

Company name	Date of incorporation	Principal activities and place of operation	Registered capital	Percentage of ownership interest attributable to the Group	
				As at 31 December	
				2024	2023
Zhejiang Shengtenghui Brand Management Co., Ltd. (浙江盛騰輝品牌管理有限公司, "Zhejiang Shengtenghui")	19 November 2018	The PRC; Business management and marketing	RMB11,660,000	20.00%	20.00%
Hangzhou Agile Groups Network Technology Co., Ltd. (杭州小群網絡科技有限公司, "Hangzhou Agile")	6 November 2019	The PRC; Food sales and technical service	RMB5,749,000	7.72%*	7.72%*
Candy (Shanghai) Cosmetics Co., Ltd. (糖果(上海)化妝品有限公司, "Starsugar")	21 May 2020	The PRC; Cosmetic sales and biotechnical service	RMB11,696,000	10.00%*	10.00%*
Beijing Wuyin Digital Technology Co., Ltd. (北京吾音數字科技有限公司, "Candy Cosmetics")	30 June 2022	The PRC; Technology promotion and application service	RMB15,000,000	–	20.00%
Hangzhou Xiaoguoyuan Network Information Technology Co., Ltd. (杭州小果元網絡信息技術有限公司, "Xiaoguoyuan")	26 April 2022	The PRC; Software and information technology services	RMB12,500,000	37.61%	37.61%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Company name	Date of incorporation	Principal activities and place of operation	Registered capital	Percentage of ownership interest attributable to the Group	
				As at 31 December	
				2024	2023
Guangxi Huihua Food Technology Co., Ltd. (廣西惠華食品科技股份有限公司, "Huihua")	21 May 2020	The PRC; Food sales and technical service	RMB10,000,000	5.10%*	5.10%*
Beijing Runxihe Biotechnology Co., Ltd. (北京潤熙禾生物科技有限公司, "Runxihe")	19 January 2023	The PRC; Biotechnology product technology research and development, cosmetics retail, medical equipment sales	RMB20,000,000	50.00%	50.00%
Beijing Leyu Intelligent Technology Co., Ltd. (北京樂嶼智能科技有限公司)	29 May 2023	The PRC; Artificial intelligence basic software development	RMB3,000,000	–	50.00%

* The Group holds less than 20% of the ownership interest of the entity, however the Group has significant influence in the entity as the Group has the right to appoint director to the board of the entity.

The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The Group determined that it does not have controlling interest in above investees, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There is no contingent liabilities relating to the Group's interest in the associates.

Each individual associate does not have a significant impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

21. OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Film and drama scripts	23,151	–

During the year ended 31 December 2024, the Group purchases several number of film and drama scripts.

22. FINANCIAL INSTRUMENTS BY CATEGORY

	2024 RMB'000	2023 RMB'000
Financial assets		
At amortised cost		
Trade receivable (Note 25)	71,912	95,687
Term deposits (Note 28)	436,131	95,453
Prepayments and other receivables (excluding prepayments and other tax recoverable) (Note 26)	8,224	10,586
Investments measured at amortised cost (Note 27)	–	300,754
Restricted cash (Note 28)	12,300	12,300
Cash and cash equivalents (Note 28)	386,063	613,371
	914,630	1,128,151
Financial assets at fair value through profit or loss (Note 23)	374,066	230,505
	1,288,696	1,358,656
Financial liabilities		
At amortised cost		
Trade payables (Note 33)	202,652	149,603
Other payables and accruals	43,863	41,189
Borrowings (Note 32)	162,323	266,167
	408,838	456,959

The Group's exposure to various risks associated with the financial instruments is discussed in Note 4. The maximum exposure to credit risk at the end of each reporting year is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Current portion		
Investments in wealth management products (a)	–	107,000
Investments in unlisted entities (b)	244,653	–
	244,653	107,000
Non-current portion		
Investments in unlisted funds (c)	75,227	68,418
Investments in unlisted entities (b)	39,256	40,157
Investment in listed entity (d)	14,930	14,930
	129,413	123,505
	374,066	230,505

(a) Investments in wealth management products

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	107,000	290,265
Additions	–	70,000
Disposals	(107,303)	(257,571)
Fair value changes (Note 10)	303	4,306
At the end of the year	–	107,000

As at 31 December 2023, the balance represented investments in principal-guaranteed and interest-bearing transferrable certificate of deposits issued by a large and reputable PRC commercial bank.

None of the aforesaid individual investments exceeds a value of 5% or more of the Group's total assets as at 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

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

(b) Investments in unlisted entities

Movement of investments in unlisted entities is analysed as follows:

	2024 RMB'000	2023 RMB'000
Current portion		
At the beginning of the year	–	–
Additions *	243,557	–
Fair value changes (Note 10)	(2,600)	–
Currency translation differences	3,696	–
	244,653	–
Non-current portion		
At the beginning of the year	40,157	30,831
Additions	4,521	–
Disposal	(110)	–
Fair value changes (Note 10)	(5,490)	10,500
Currency translation differences	178	(1,174)
	39,256	40,157

* The Group purchased certain non-voting redeemable participant shares of overseas companies at a cash consideration of approximately RMB243,557,000. The principal activities of these overseas companies are assets investment for assets appraisal.

(c) Investments in unlisted funds

Movement of investments in unlisted funds is analysed as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	68,418	–
Additions	–	64,581
Fair value changes (Note 10)	5,454	3,487
Currency translation differences	1,355	350
	75,227	68,418

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

- 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 annualised target return of 8% per annum; and
- Investment in a limited partnership without significant influence at a cash consideration of RMB3,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

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

(d) Investment in a listed entity

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	14,930	14,715
Fair value changes (Note 10)	–	215
At the end of the year	14,930	14,930

24. INVENTORIES

	2024 RMB'000	2023 RMB'000
Artist-related merchandises and other materials	6,958	5,026

During the year ended 31 December 2024, amount of written-down of inventories to net realisable value were charged to the consolidated statements of comprehensive income was approximately RMB1,520,000 (2023: Nil).

25. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	84,585	126,052
Less: allowance for impairment (Note 4.1)	(12,673)	(30,365)
Trade receivables, net	71,912	95,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

25. TRADE RECEIVABLES (continued)

The Group normally allows nil to 30 days credit period to its customers. Aging analysis of trade receivables as at 31 December 2024 and 2023, based on the invoice dates, is as follows:

	2024 RMB'000	2023 RMB'000
Up to 3 months	53,117	77,102
3 to 6 months	12,254	9,381
6 months to 1 year	10,291	15,656
1 to 2 years	2,838	5,362
2 to 3 years	1,685	6,957
Over 3 years	4,400	11,594
Trade receivables	84,585	126,052

26. PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayment for acquisitions of a property (a)	–	480,011
Other prepayments (b)	40,231	39,055
Prepayments	40,231	519,066
Loans to third parties (c)	4,847	3,926
Rental and other deposits	3,565	4,576
Other tax recoverables	27,595	5,286
Others	982	2,471
	36,989	16,259
Less: allowance for impairment (Note 4.1)	(1,170)	(387)
Other receivables, net	35,819	15,872
Total prepayments and other receivables	76,050	534,938
Less: Non-current deposits and prepayments	(17,212)	(517,604)
Current portion	58,838	17,334

(a) The balance as at 31 December 2023 represented the prepayment for a property located in Beijing to be acquired by the Group. The total consideration for the property is RMB480,000,000, which was funded by a combination of bank borrowings of RMB200,000,000 (Note 32(a)) and the Group's internal resources of approximately RMB280,000,000.

(b) As at 31 December 2024 and 2023, other prepayments primarily represented prepayments for promotion services.

(c) As at 31 December 2024 and 2023, loans to third parties are interest-free, unsecured and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

27. INVESTMENTS MEASURED AT AMORTISED COST

	2024 RMB'000	2023 RMB'000
Investments in debt instruments	–	304,315
Less: allowance for impairment (Note 4.1)	–	(3,561)
Investments in debt instruments, net	–	300,754

Movement of investments measured at amortised cost is analysed as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	300,754	87,280
Additions	–	388,371
Disposals	(309,293)	(190,130)
Interest income	2,888	14,325
Impairment reversal/(provision)	3,561	(1,514)
Currency translation differences	2,090	2,422
At the end of the year	–	300,754

In 2023, for the purpose of corporate cash management, the Group invested in unsecured debt instruments issued by several independent third-party private companies primarily engaged in investment-related activities, amounting to HKD431,000,000 (equivalent to approximately RMB388,371,000) in total. These debt instruments carried an interest rate of 5.5% or 6% per annum and were due for repayment within one year. Given the evolving business environment, the Group redeemed debt instruments of HKD111,000,000 (equivalent to approximately RMB100,021,000) within 2023. The remaining debt instruments of HKD320,000,000 (equivalent to approximately RMB290,264,000) and corresponding interest payments from these companies have been collected before June 2024.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

28. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand (a)	834,494	721,124
Less: Term deposit with original maturity of more than three months	(436,131)	(95,453)
Restricted cash (b)	(12,300)	(12,300)
Cash and cash equivalents	386,063	613,371

(a) Cash at bank and on hand was denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
USD	429,930	314,478
RMB	361,952	290,275
HKD	21,439	101,621
KRW	21,173	14,018
JPY	–	732
	834,494	721,124

(b) Restricted cash:

As at 31 December 2024 and 2023, the balance represented the certificate of deposits used as collateral for RMB bank borrowings (Note 32).

29. SHARE CAPITAL AND TREASURY SHARES

As at 31 December 2023 and 2024, the authorised share capital of the Company comprised of:

	Number of ordinary shares	Nominal value of ordinary shares USD
As at 1 January 2023	500,000,000	50,000
Effect of capitalisation issue	1,500,000,000	150,000
As at 31 December 2023, 1 January 2024 and 31 December 2024	2,000,000,000	200,000

Upon completion of the initial public offering ("IPO"), each of the authorised and issued preferred shares be and is hereby converted into share of a par value of US\$0.0001 each on an one-to-one basis by redesignation and reclassification, such that after the reclassification and redesignation, the authorised share capital of the Company shall become US\$200,000 divided into 2,000,000,000 shares with a par value of US\$0.0001 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

29. SHARE CAPITAL AND TREASURY SHARES (continued)

	Number of ordinary shares issued	Nominal value USD	Share capital RMB'000
At 1 January 2023	77,300,865	7,730	50
Issuance of ordinary shares upon listing (a)	121,881,000	12,188	81
Conversion of convertible preferred shares into ordinary shares (b)	249,300,000	24,930	169
Capitalisation issue (c)	423,399,135	42,340	287
Sub total	871,881,000	87,188	587
Less: Treasury shares for restricted share unit scheme (d)	(28,125,000)	(2,813)	–
At 31 December 2023	843,756,000	84,375	587
At 1 January 2024	871,881,000	87,188	587
Less: Treasury shares for restricted share unit scheme (d)	(28,035,000)	(2,803)	–
At 31 December 2024	843,846,000	84,385	587

- (a) Upon completion of the IPO, the Group issued 121,881,000 new shares at par value of USD 0.0001 per share for cash consideration of HKD4.08 each. After netting off these gross proceeds with share issuance costs, the respective share capital amount was approximately RMB81,000 and share premium arising from the issuance was approximately RMB398,252,000.
- (b) On 19 January 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 capitalisation issue. The fair value of the convertible preferred Shares immediately before the conversion was approximately RMB1,020,534,000, and the conversion resulted in the increase in share capital of approximately RMB169,000 and share premium of approximately RMB1,020,365,000.
- (c) The Company is authorised to allot and issue a total of 423,399,135 shares after taking into account of the effect of conversion of convertible preferred shares into ordinary shares. These shares credited as fully paid at par on Listing Date (i.e. IPO date) to the shareholders whose names appear on the register of members of our Company in the Cayman Islands at the close of business on the business day preceding the Listing Date, in proportion to their existing respective shareholdings by capitalising the relevant sum of RMB287,000 standing to the credit of the share premium account of the Company.
- (d) In December 2021 and March 2022, an aggregated number of 5,790,000 ordinary shares were issued by the Company to two trusts controlled by the Company for the Company's restricted share units scheme (Note 40). Effected by the capitalisation issue undertaken in January 2023, these ordinary shares held by the trusts were subdivided to 37,500,000 ordinary shares. During the year ended 31 December 2024, 9,375,000 (2023:9,375,000) shares has been vested and transferred (Note 40). During the year ended 31 December 2024, 9,285,000 was repurchased as treasury shares at aggregate consideration of RMB5,786,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

30. RESERVES

	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2023	–	(4)	(2,515,000)	40,960	(127,134)	93,181	2,386,821	(121,176)
Loss for the year	–	–	–	–	–	–	(140,837)	(140,837)
Issuance of shares in connection with vesting of restricted share units	114	1	–	–	–	–	–	115
Issuance of ordinary shares and capitalisation issue	397,965	–	–	–	–	–	–	397,965
Conversion of convertible preferred shares into ordinary shares	1,020,365	–	–	–	–	–	–	1,020,365
Appropriation for statutory surplus reserve	–	–	–	4	–	–	(4)	–
Equity settled share-based payments (Note 40)	–	–	–	–	–	92,187	–	92,187
Currency translation differences	–	–	–	–	70,875	–	–	70,875
As at 31 December 2023	1,418,444	(3)	(2,515,000)	40,964	(56,259)	185,368	2,245,980	1,319,494
As at 1 January 2024	1,418,444	(3)	(2,515,000)	40,964	(56,259)	185,368	2,245,980	1,319,494
Profit for the year	–	–	–	–	–	–	46,942	46,942
Purchase of treasury share	–	(5,787)	–	–	–	–	–	(5,787)
Issuance of shares in connection with vesting of restricted share units	81	1	–	–	–	–	–	82
Equity settled share-based payments (Note 40)	–	–	–	–	–	51,332	–	51,332
Currency translation differences	–	–	–	–	(18,528)	–	–	(18,528)
At 31 December 2024	1,418,525	(5,789)	(2,515,000)	40,964	(74,787)	236,700	2,292,922	1,393,535

(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 capitalised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

31. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities, after set-off certain deferred tax assets against deferred tax liabilities of the same entity, for financial reporting purpose is as follows:

	2024 RMB'000	2023 RMB'000
Deferred income tax assets	4,755	7,972
Deferred income tax liabilities	(969)	(5,016)
	3,786	2,956

The movement in deferred income tax assets and liabilities during the years ended 31 December 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at 1 January 2023 RMB'000	Credited/ (charged) to profit or loss RMB'000	Currency translation differences RMB'000	As at 31 December 2023 RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Impairment provisions	3,786	1,081	–	4,867
– Lease liabilities	2,080	1,039	(14)	3,105
– Others	786	(781)	(5)	–
	6,652	1,339	(19)	7,972
Deferred income tax liabilities				
– Fair value changes	–	(1,737)	–	(1,737)
– Right-of-use assets	(2,404)	(905)	30	(3,279)
	(2,404)	(2,642)	30	(5,016)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

31. DEFERRED INCOME TAX (continued)

	As at 1 January 2024 RMB'000	Credited/ (charged) to profit or loss RMB'000	Currency translation differences RMB'000	As at 31 December 2024 RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Impairment provisions	4,867	(416)	3	4,454
– Lease liabilities	3,105	(2,811)	7	301
	7,972	(3,227)	10	4,755
Deferred income tax liabilities				
– Fair value changes	(1,737)	1,184	–	(553)
– Right-of-use assets	(3,279)	2,873	(10)	(416)
	(5,016)	4,057	(10)	(969)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses amounting to approximately RMB46,913,000 and RMB39,597,000 as at 31 December 2024 and 2023 in certain Group's subsidiaries, which can be carried forward to offset against future taxable income, all of which will expire within 10 years.

The PRC subsidiaries of the Group have undistributed earnings of approximately RMB906,017,000 and RMB850,108,000 as at 31 December 2024 and 2023 respectively, which if paid out as dividends, would be subject to tax in the hands of the recipient. Assessable temporary differences exist, but no deferred tax liabilities have been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

32. BORROWINGS

	2024 RMB'000	2023 RMB'000
Long-term RMB bank borrowings, secured (a)	103,070	200,000
Long-term KRW bank borrowings, secured (b)	59,253	66,167
	162,323	266,167

- (a) As at 31 December 2024 and 2023, the Group's RMB bank borrowings was secured by the property with carrying amount of RMB450,885,000 (2023: property to be acquired amounted to RMB480,011,000), and restricted cash of RMB12,300,000 (2023: RMB12,300,000). These bank borrowings carried a floating interest rate ranging from 3.0% to 3.6% per annum (2023: fixed interest rate of 3.6% per annum), which is repayable by instalments and will be fully repaid on 31 December 2033.
- (b) As at 31 December 2024 and 2023, the Group's KRW bank borrowings was secured by certain assets, including property, plant and equipment with carrying amount of RMB85,087,000 (2023: RMB89,726,000) and investment properties with carrying amount of RMB6,956,000 (2023: RMB14,353,000). These bank borrowings carried a floating interest rate ranging from 2.76% to 5.23% per annum, which will be repayable on 29 August 2025.

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2024 RMB'000	2023 RMB'000
Within one year	70,831	16,931
After one year but within two years	11,577	89,626
After two years but within five years	34,731	60,586
After five years	45,184	99,024
	162,323	266,167
Carrying amount repayable within one year and shown under current liabilities	70,831	16,931
Amounts shown under non-current liabilities	91,492	249,236
	162,323	266,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

33. TRADE PAYABLES

Aging analysis of trade payables as at 31 December 2024 and 2023, based on date of recognition, is as follows:

	2024 RMB'000	2023 RMB'000
Up to 3 months	143,029	89,212
3 to 6 months	40,500	45,094
6 months to 1 years	6,150	4,300
Over 1 years	12,973	10,997
	202,652	149,603

34. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Accrual for payroll, employee benefit and other expenses	25,550	23,310
Payables in respect of sharing in the receipts from movies and variety programs	8,005	8,703
VAT and surcharges payable	6,361	11,079
Payables for investment accounted for using the equity method	–	1,500
Others	10,308	7,676
	50,224	52,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

35. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 28 January 2022, as part of the Group's Reorganisation to reflect the onshore shareholding structure, the Company entered into a preferred share subscription agreement with the offshore affiliates of CMC, Quantum Jump and Dongyang Alibaba Pictures pursuant to which 16,500,135 Series A-1 Preferred Shares, 5,489,000 Series A-2 Preferred Shares and 16,500,000 Series A-3 Preferred Shares, respectively, at an issuance price of US\$1.36, US\$2.65, and US\$3.59 per share, was subscribed for a total consideration of US\$85,947,297 (approximately RMB544,751,000), which approximated the consideration paid by the Group to these institutional shareholders to acquire the shares of Yuehua Limited and settled the amounts due from these institutional shareholders as part of the Reorganisation.

On the same date, the aforementioned Series A-1, A-2 and A-3 Preferred Shares were issued and recognised at their initial fair value of RMB2,484,403,000, while the redemption liabilities with then carrying amount of RMB614,882,000 was derecognised, and the differences amounting to RMB1,869,521,000 was recognised in equity.

Upon the Listing of the Company on 19 January 2023, the convertible preferred shares were mandatorily and automatically converted to 249,300,000 shares of the Company at the final offer price of HKD4.08 per share.

The key terms of the convertible preferred shares mirror those preferential rights, 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 thereof, 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 reorganisations, 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.

	2024 RMB'000	2023 RMB'000
At the beginning of the year	—	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 year	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

36. CASH FLOW INFORMATION

(a) Cash generated from operations

	2024 RMB'000	2023 RMB'000
Profit/(loss) before income tax	70,243	(105,070)
Adjustments for:		
– Share of losses of investments accounted for using the equity method	2,044	7,171
– Loss on deregistration of investments accounted for using the equity method	1,761	–
– Depreciation of property, plant and equipment	20,724	7,682
– Depreciation of investment properties	442	184
– Amortisation of intangible assets	7,094	835
– Depreciation of right-of-use assets	5,980	6,958
– Net gains on disposal of right-of-use assets	(1,033)	–
– Net gains on disposal of property, plant and equipment	(431)	(44)
– Gain on disposal of investments accounted for using the equity method	–	(2,171)
– Fair value losses/(gains) on financial assets at fair value through profit or loss	2,333	(18,508)
– Interest income on bank deposits	(26,518)	(21,186)
– Interest income on financial assets at amortised cost	(2,888)	(14,325)
– Interest expenses on lease liabilities	877	620
– Interest expenses on bank borrowings	10,883	3,377
– Net impairment losses (reversal)/provision on financial assets	(2,814)	8,678
– Equity settled share-based payments	51,332	92,187
– Impairment losses of investments accounted for using the equity method	2,332	–
– Impairment losses of intangible assets	2,785	–
– Write-off of inventories	1,520	–
– Fair value changes of convertible preferred shares	–	160,524
Operating cash flows before changes in working capital	146,666	126,912
Changes in working capital:		
– Inventories	(3,452)	(3,504)
– Trade receivables	23,836	26,724
– Prepayments and other receivables	(21,345)	4,390
– Contract liabilities	(6,944)	37,398
– Trade payables	53,049	(41,016)
– Other payables and accruals	(544)	1,072
– Restricted cash	–	11,600
Cash generated from operation	191,266	163,576

(b) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions save as those disclosed in Note 36(c) during the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

36. CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities generated from financing activities

	Lease liabilities RMB'000	Bank borrowings RMB'000	Convertible preferred Shares RMB'000	Total RMB'000
As at 1 January 2023	8,095	66,276	903,848	978,219
Interest expenses on lease liabilities	620	–	–	620
<i>Cash flows</i>				
– Proceed from borrowing	–	200,000	–	200,000
– Payment for lease liabilities-principal and interest	(5,245)	–	–	(5,245)
<i>Other non-cash movements</i>				
– Additions of lease liabilities	10,122	–	–	10,122
– Early termination of lease	(25)	–	–	(25)
– Fair value changes of convertible preferred shares (Note 35)	–	–	160,524	160,524
– Conversion of convertible preferred shares into ordinary shares	–	–	(1,020,534)	(1,020,534)
– Currency translation difference	(112)	(109)	(43,838)	(44,059)
As at 31 December 2023	13,455	266,167	–	279,622
As at 1 January 2024	13,455	266,167	–	279,622
Interest expenses on lease liabilities	877	–	–	877
Interest expenses on bank borrowings	–	(10,883)	–	(10,883)
<i>Cash flows</i>				
– Payment for lease liabilities-principal and interest	(6,194)	–	–	(6,194)
– Repayment of bank borrowings	–	(103,884)	–	(103,884)
– Interest paid for bank borrowings	–	10,883	–	10,883
<i>Other non-cash movements</i>				
– Additions of lease liabilities	1,149	–	–	1,149
– Early termination of lease	(7,624)	–	–	(7,624)
– Currency translation difference	–	40	–	40
As at 31 December 2024	1,663	162,323	–	163,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

37. COMMITMENTS

Capital commitments

The Group mainly has capital commitments with respect to capital injection commitment to an associate and leasehold improvement. Significant capital expenditure contracted for as at 31 December 2024 and 2023, but not recognised as liabilities were as follows:

	2024 RMB'000	2023 RMB'000
Capital injection commitment to an associate	5,000	5,000
Leasehold improvements	–	288
	5,000	5,288

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The Controlling Shareholder is disclosed in Note 1.

Save as disclosed elsewhere in Note 11, major related parties that had transactions with the Group during the years ended 31 December 2024 and 2023 were as follows:

The following companies are related parties of the Group that had balances and/or transactions with the Group.

Name of the related parties	Relationship with the Group
Ms. Du	Controlling Shareholder
Mr. SUN Yiding	Director of the Company
Mr. LEE Sang Kyu	Director of a subsidiary of the Group
Ms. YAO Lu (resigned on 5 February 2024)	Director of the Company to represent CMC Holdings Ltd (" CMC ")
Ms. ZHAO Wenjie (resigned on 28 June 2023)	Director of the Company to represent Quantum Jump
Mr. MENG Jun	Director of the Company to represent Dongyang Alibaba Pictures
Mr. MENG Qingguan (resigned on 28 June 2023)	Director of the Company to represent Dongyang Alibaba Pictures
CMC and its subsidiaries (collectively " CMC Group ")	CMC as a shareholder of the Company with the right to nominate an individual to represent CMC as a director of the Company, and CMC's subsidiaries
Quantum Jump's fellow subsidiaries under the common control of the same ultimate shareholder (collectively " Quantum Jump's fellow subsidiaries ")	Quantum Jump as a shareholder of the Company with the right to nominate an individual to represent Quantum Jump as a director of the Company, and fellow subsidiaries of Quantum Jump under the common control of the same ultimate shareholder as of 28 June 2023
Alibaba Pictures Group Limited and its subsidiaries, and its fellow subsidiaries under the common control of the same ultimate shareholder (collectively " APG ")	Dongyang Alibaba Pictures as a shareholder of the Company with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of the Company, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder
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 9.5% by Tianjin Yihua, 28.5% by Mr. LIU Jiachao, an independent third party, 5.0% by Shenzhen Huiwen Holding Co., Ltd. (深圳市匯文控股有限公司), an independent third party and 57.0% by Mr. DU Jiang, a family member of Ms. Du.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Name of the related parties	Relationship with the Group
Beijing Wuyin Digital Technology Co., Ltd. (北京吾音數字科技有限公司, "Wuyin Digital")	An associate of the Group owned as to 20.0%
Beijing Leying Huajin Culture Technology Co., Ltd. (北京樂影華錦文化科技有限公司, "Leying Huajin")	A company owned as to 51.0% by Ms. Du and 49.0% by Mr. Sun Yiding
Nanjing Jenifer Biotechnology Co., Ltd. (南京婕妮芙生物科技有限公司, "Nanjing Jenifer")	A company owned as to 80.1% by Mr. DU Jiang, a family member of Ms. Du Hua
Hangzhou Agile Groups Network Technology Co., Ltd. (杭州小群網絡科技有限公司, "Hangzhou Agile")	An associate of the Group owned as to 7.72%
Candy (Shanghai) Cosmetics Co. Ltd. (糖果(上海)化妝品有限公司, "Starsugar")	An associate of the Group owned as to 10.0%

In the opinion of the Company's directors, the following related party transactions were carried out at terms negotiated and mutually agreed between the Group and the respective related parties:

(a) Transactions with related parties

	2024 RMB'000	2023 RMB'000
(i) Revenue:		
APG	11,125	25,027
CMC Group	6,779	7,614
Quantum Jump's fellow subsidiaries	–	13,224
Wuyin Digital	–	16
Leying Huajin	–	19
Nice Future	6,643	–
	24,547	45,900
(ii) Cost of revenue:		
APG	916	1,815
Nanjing Jenifer	6	6
Starsugar	13	5
Hangzhou Agile	13	7
Runxihe	–	1
	948	1,834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	2024 RMB'000	2023 RMB'000
<i>Trade nature</i>		
(i) Trade receivables:		
APG	142	–
CMC Group	719	–
Nice Future	6,643	–
	7,504	–
(ii) Trade payable:		
APG	895	1,729
Hangzhou Agile	9	21
Nanjing Jenifer	20	38
Runxihe	1	4
Starsugar	–	19
	925	1,811
(iii) Contract liabilities:		
APG	236	–
Nanjing Jenifer	35	24
	271	24

(c) Key management personnel compensation

	2024 RMB'000	2023 RMB'000
Wages, salaries and bonuses	7,698	7,122
Pension costs – defined contribution plans	300	266
Other social security costs, housing benefits and other employee benefits	391	365
Equity settled share-based payments	7,684	13,418
	16,073	21,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

39. NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary	39(a)	752,773	4,737,965
Financial assets at fair value through profit or loss		91,661	85,074
		844,434	4,823,039
Current assets			
Amounts due from subsidiaries		292,029	13,195
Investments measured at amortised cost	27	–	300,754
Other assets	21	23,151	–
Term deposits	39(b)	315,141	95,453
Cash and cash equivalents	39(b)	134,018	332,274
		764,339	741,676
Total assets		1,608,773	5,564,715
EQUITY			
Share capital	29	587	587
Share premium	39(c)	1,418,525	1,418,444
Treasury shares	29	(5,789)	(3)
Reserves	39(c)	5,910,403	5,827,436
Accumulated losses	39(c)	(5,718,177)	(1,682,945)
Total equity		1,605,549	5,563,519
LIABILITIES			
Current liabilities			
Trade payables		398	41
Amount due to subsidiaries		2,826	1,155
Total liabilities		3,224	1,196
Total equity and liabilities		1,608,773	5,564,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

39. NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investment in a subsidiary

	2024 RMB'000	2023 RMB'000
Investment in a subsidiary	7,342,391	7,342,391
Less: allowance for impairment of investment in a subsidiary (i)	(6,827,847)	(2,791,323)
	514,544	4,551,068
Deemed investments arising from equity settled share-based payment (ii)	238,229	186,897
	752,773	4,737,965

- (i) As at 31 December 2024, the Company recognised impairment of approximately RMB6,827,847,000 on investment in subsidiaries according to the valuation on the recoverable amount of the investment in subsidiaries. The recoverable amount was determined based on the higher of fair value less cost of disposal and value-in-use calculations which use cash flow projections based on financial budgets.
- (ii) The amount represents equity settled share-based payments arising from the grant of restricted share units ("RSUs") of the Company to eligible individuals of the subsidiaries (Note 40) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries pursuant to the accounting policies as set out in Note 2.18.

(b) Cash and cash equivalents and term deposits

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand	449,159	427,727
Less: Term deposit with original maturity of more than three months	(315,141)	(95,453)
Cash and cash equivalents	134,018	332,274

Cash at bank was denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	483	13,406
USD	428,752	312,740
HKD	19,924	101,581
	449,159	427,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

39. NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)

(c) Share premium, reserve and accumulated losses of the Company

	Accumulated losses RMB'000	Exchange reserve RMB'000	Share premium and other reserves RMB'000	Share-based compensation reserve RMB'000	Total reserves RMB'000
Balance at 1 January 2023	(3,390,694)	186,193	5,344,841	93,181	2,233,521
Equity settled share-based payments	–	–	–	92,187	92,187
Profit for the year	1,707,749	–	–	–	1,707,749
Currency translation differences	–	111,034	–	–	111,034
Conversion of convertible preferred shares into ordinary shares	–	–	1,020,365	–	1,020,365
Issuance of ordinary shares by the Company and capitalisation issue	–	–	397,965	–	397,965
Issuance of shares in connection with vesting of restricted share units	–	–	114	–	114
Balance at 31 December 2023	(1,682,945)	297,227	6,763,285	185,368	5,562,935
Balance at 1 January 2024	(1,682,945)	297,227	6,763,285	185,368	5,562,935
Equity settled share-based payments	–	–	–	51,332	51,332
Loss for the year	(4,035,232)	–	–	–	(4,035,232)
Currency translation differences	–	31,635	–	–	31,635
Issuance of shares in connection with vesting of restricted share units	–	–	81	–	81
Balance at 31 December 2024	(5,718,177)	328,862	6,763,366	236,700	1,610,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

40. EQUITY SETTLED SHARE-BASED PAYMENTS

2021 Share Incentive Plan of the Company (the “2021 Share Incentive Plan”)

On 10 December 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 4 March 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 20 December 2022, 652,750 RSUs had been granted to the Grantees.

The aforementioned RSUs awarded on 10 December 2021, 4 March 2022 and 20 December 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
10 December 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
4 March 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
20 December 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

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

* Before effect of share capitalisation issue per note 29(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

40. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

2021 Share Incentive Plan of the Company (the “2021 Share Incentive Plan”) (continued)

The share-based compensation expenses recognised during the years ended 31 December 2024 and 2023 were summarised in the following table:

	2024 RMB'000	2023 RMB'000
Share-based compensation expenses for eligible individuals	51,332	92,187

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 31 December 2024 and 2023, 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 1 January 2023	5,790,000	46.85
Effect of capitalisation issue	31,710,000	–
Vested and transferred	(9,375,000)	7.23
As at 31 December 2023 and as at 1 January 2024	28,125,000	7.23
Vested and transferred	(9,375,000)	7.23
Outstanding as at 31 December 2024	18,750,000	7.23

The fair value of each RSUs was calculated based on the market price of the Company's shares at the respective grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

40. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

2021 Share Incentive Plan of the Company (the “2021 Share Incentive Plan”) (continued)

The Group applied the discounted cash flow method to determine the underlying equity value of the Company on the date of grant. The fair value of each RSU at the grant date is determined with reference to the fair value of the underlying ordinary shares on the date of grant. Key assumptions are set as below:

	As at 10 December 2021 RMB'000	As at 4 March 2022 RMB'000	As at 20 December 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.

41. SUBSIDIARIES

The Company's major subsidiaries as at 31 December 2024 and 2023 are set out below. Unless otherwise stated, they have capital consisting solely of ordinary shares that are held directly by the Group. The place of establishment/incorporation is also their principal place of business.

Name of subsidiary	Place and date of incorporation/ establishment and nature of legal entity	Principal activities and place of operation	Issued and paid in capital/registered capital	Effective interest held by the Group as at 31 December As at December 31,	
				2024 %	2023 %
YH Entertainment Group (BVI) Limited	The BVI; 22 June 2021; limited liability company	Investment holding; The BVI	–/USD 1	100.00%	100.00%
YH Entertainment Group (HK) Limited	Hong Kong; 6 July 2021; limited liability company	Investment holding; Hong Kong	–/HKD10,000	100.00%	100.00%
Tianjin Yuehua Investment Co., Ltd. (天津樂華管理諮詢有限公司)	PRC; 24 September 2021; Wholly foreign owned	Investment holding; The PRC	–/RMB5,000,000	100.00%	100.00%
Tianjin Yihua Management Consulting Co., Ltd. (天津壹華管理諮詢有限責任公司)	PRC; 22 February 2019; limited liability company	Investment holding; The PRC	RMB 30,000,000/ RMB 30,000,000	100.00%	100.00%
Yue Hua Hong Kong Entertainment Company Limited (樂華娛樂香港有限公司)	Hong Kong; 13 January 2015; limited liability company	Pan-entertainment business; Hong Kong	USD 77,352/ USD 77,352	100.00%	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

41. SUBSIDIARIES (continued)

Name of subsidiary	Place and date of incorporation/ establishment and nature of legal entity	Principal activities and place of operation	Issued and paid in capital/registered capital	Effective interest held by the Group as at 31 December	
				As at December 31, 2024 %	As at December 31, 2023 %
Tianjin Chufa Culture Technology Co., Ltd. (天津觸發文化科技有限公司)	The PRC; 17 April 2014; Limited liability company	Pan-entertainment business; The PRC	RMB 1,000,000/ RMB 1,000,000	100.00%	100.00%
Yuehua Entertainment Korea Co., Ltd. (韓國樂華娛樂股份有限公司)	Korea; 28 August 2014; Limited liability company	Training center for artist management; Korea	KRW 5,875,000,000/ KRW 5,875,000,000	85.00%	85.00%
Yuehua Limited	The PRC; 3 July 2009; Limited liability company	Asia management, music IP production and operation and pan-entertainment business; The PRC	RMB 110,000,000/ RMB 110,000,000	100.00%	100.00%
Tianjin Yuehua Music Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司)	The PRC; 1 August 2011; Limited liability company	Asia management, music IP production and operation and pan-entertainment business; The PRC	RMB 10,000,000/ RMB 10,000,000	100.00%	100.00%
Tibet Yuehua Culture Communication Co., Ltd. (西藏樂華文化傳播有限公司)	The PRC; 25 December 2011; Limited liability company	Artist management, music IP production and operation and pan-entertainment; The PRC	RMB 10,000,000/ RMB 10,000,000	100.00%	100.00%
Beijing Huayi Shuxiang Culture Communication Co., Ltd. (華燿書香(北京)文化傳播有限公司)	The PRC; 2 August 2024; Limited liability company	Artist management; The PRC	RMB500,000/ RMB10,000,000	100.00%	—
Beijing Lemei Xinhe Culture Communication Co., Ltd. (北京樂美信和文化傳播有限公司)	The PRC; 26 August 2024; Limited liability company	Artist management; The PRC	—/RMB5,000,000	100.00%	—
Beijing Yuhua Tongxing Culture Development Co., Ltd. (與華同行(北京)文化發展有限公司)	The PRC; 31 December 2024; Limited liability company	Artist management; The PRC	—/RMB3,921,600	51.00%	—
Beijing Lejing Huayi Culture Communication Co., Ltd. (北京樂璟華藝文化傳播有限公司)	The PRC; 9 December 2024; Limited liability company	Artist management; The PRC	RMB1,000,000/ RMB1,000,000	70.00%	—

42. CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at 31 December 2024 and 2023.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of our Group for the last five financial years, is set out below:

	2024	For the year ended December 31,			
		2023	2022	2021	2020
		(RMB in thousands, except for percentages)			
Revenues	764,538	755,681	980,254	1,290,449	922,042
Cost of revenue	(608,487)	(580,646)	(617,168)	(688,490)	(429,060)
Gross profit	156,051	175,035	363,086	601,959	492,982
Selling and marketing expenses	(59,039)	(38,550)	(37,611)	(34,523)	(30,823)
General and administrative expenses	(94,147)	(134,214)	(119,494)	(71,530)	(44,081)
Net impairment losses reversal/(provision) on financial assets	2,814	(8,678)	(7,715)	(3,296)	(8,954)
Other income	19,920	22,811	3,901	18,420	7,303
Other gains/(losses), net	29,042	14,707	10,044	(5,889)	(18,522)
Operating profit	54,641	31,111	212,211	505,141	397,905
Finance income	29,406	35,511	6,597	5,215	3,693
Finance costs	(11,760)	(3,997)	(6,306)	(42,749)	(6,366)
Finance income/(costs), net	17,646	31,514	291	(37,534)	(2,673)
Share of losses of investments accounted for using the equity method	(2,044)	(7,171)	(3,062)	(6,568)	(2,697)
Fair value changes of convertible preferred shares	–	(160,524)	1,581,992	–	–
Profit/(loss) before income tax	70,243	(105,070)	1,791,432	461,039	392,535
Income tax expense	(25,926)	(37,518)	(66,247)	(125,707)	(100,589)
Profit/(loss) for the year	44,317	(142,588)	1,725,185	335,332	291,946
Profit/(loss) attributable to:					
Owners of our Company	46,942	(140,837)	1,724,470	336,684	291,370
Non-controlling interests	(2,625)	(1,751)	715	(1,352)	576
	44,317	(142,588)	1,725,185	335,332	291,946
Non-IFRS measures*:					
Adjusted net profit	100,046	105,218	266,553	394,571	295,855
Adjusted net profit margin	13.1%	13.9%	27.2%	30.6%	32.1%

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

Assets, Liabilities and Equity/(deficit)	2024	As at December 31,			
		2023	2022	2021	2020
		(RMB in thousands)			
Total assets	2,049,126	2,044,926	1,322,271	1,678,897	1,175,178
Total liabilities	654,558	721,781	1,439,124	1,359,339	1,188,637
Total equity/(deficit)	1,394,568	1,323,145	(116,853)	319,558	(13,459)

DEFINITIONS AND GLOSSARY

"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company adopted on December 26, 2022, which became effective on the Listing Date and as amended from time to time
"Audit Committee"	The audit committee of the Board
"Board"	The board of Directors of the Company
"Capitalization Issue"	the issue of 634,210,000 Shares upon the capitalization of the relevant sum standing to the credit of the share premium account of the Company, details of which are set out in "Appendix V – Statutory and General Information – A. Further Information of our Group – 3. Resolutions of our Shareholders" in the Prospectus
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chairlady"	The chairlady of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references herein to "China," "mainland China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Company" or "YH Entertainment"	YH Entertainment Group (乐华娱乐集团), an exempted company incorporated in Cayman Islands with limited liability on June 10, 2021
"Directors"	director(s) of the Company
"Fund"	A1 Orient Investments Limited, a British Virgin Islands business company incorporated
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Group," "our Group," "the Group," "we," "us," or "our"	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Hainan Yuehua"	Hainan YueHua Culture Communication Co., Ltd. (海南樂華文化傳播有限公司), a limited liability company established in the PRC on April 30, 2021 and a wholly-owned subsidiary of Yuehua Limited
"HK\$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	party or parties that, to the best of our Directors' knowledge, information and belief, is or are not a connected person(s) of our Company within the meaning of the Listing Rules

DEFINITION AND GLOSSARY (continued)

"IP"	intellectual properties such as existing musical works, variety programs, movies, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new musical works, variety programs, drama series or movies
"Korea"	the Republic of Korea
"KRW"	Korean Republic won, the lawful currency of Korea
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on January 19, 2023
"Listing Date"	the date, namely January 19, 2023, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Macau"	The Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nice Future"	Nice Future (Beijing) Culture Communication Co., Ltd.* (尼斯未來(北京)文化傳播有限公司), a limited liability company established in the PRC on July 7, 2021
"Nomination Committee"	The nomination committee of the Board
"Over-allotment Option"	has the meaning ascribed to it in the Prospectus
"Prospectus"	the prospectus of the Company published on December 30, 2022
"Remuneration Committee"	The remuneration committee of the Board
"Reporting Period"	the financial year ended December 31, 2024
"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

DEFINITION AND GLOSSARY (continued)

"Subscription Agreement"	the agreement entered into between the Company and the Fund dated December 23, 2024 in relation to the Subscription
"Tianjin Chufa"	Tianjin ChuFa Culture Technology Co., Ltd. (天津觸發文化科技有限公司) (formerly known as Shanghai Chufa Culture Technology Co., Ltd. (上海觸發文化科技有限公司) and Shanghai Chufa Culture Communication Co., Ltd. (上海觸發文化傳播有限公司)), a limited company established in the PRC on April 17, 2014 and a wholly-owned subsidiary of Yuehua Limited
"Tianjin Yihua"	Tianjin Yihua Management Consulting Co., Ltd. (天津壹華管理諮詢有限責任公司), a limited company established in the PRC on February 22, 2019 and a wholly-owned subsidiary of Yuehua Limited
"Tianjin Yuehua"	Tianjin Yuehua Music and Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司), a limited liability company established in the PRC on August 1, 2011 and a wholly-owned subsidiary of Yuehua Limited
"Tibet Yuehua"	Tibet Yuehua Culture Communication Co., Ltd. (西藏樂華文化傳播有限公司), a limited company established in the PRC on December 25, 2011 and a wholly-owned subsidiary of Yuehua Limited
"US\$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"Vendors"	containing (1) Hangzhou Kanchao Information Consulting Co., Ltd.* (杭州看潮信息諮詢有限公司), a limited liability company established in the PRC on March 22, 2019; (2) Beijing Zitiao Network Technology Co., Ltd.* (北京字跳網絡技術有限公司), a limited liability company established in the PRC on October 15, 2018; and (3) Douyin Vision Co., Ltd.*, a limited liability company established in the PRC on July 25, 2012
"YUE HUA HONG KONG"	YUE HUA HONG KONG ENTERTAINMENT COMPANY LIMITED (樂華娛樂香港有限公司), a limited company established in Hong Kong on January 13, 2015 and a wholly-owned subsidiary of Yuehua Limited
"Yuehua HK"	YH Entertainment Group (HK) Limited, a limited company established in Hong Kong on July 6, 2021 and an indirect wholly-owned subsidiary of our Company in Hong Kong
"Yuehua Investment"	Tianjin Yuehua Management Consulting Co., Ltd. (天津樂華管理諮詢有限公司), formerly known as Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司), a limited liability company established in the PRC on September 24, 2021 and an indirect wholly-owned subsidiary of our Company in the PRC
"Yuehua Korea"	Yuehua Entertainment Korea Co., Ltd., a company incorporated in the Republic of Korea on August 28, 2014 and a non-wholly owned subsidiary of Yuehua Limited
"Yuehua Limited"	YueHua Entertainment Co., Ltd. (北京樂華圓娛文化傳播有限公司), a limited liability company established in the PRC on July 3, 2009 and a non-wholly owned subsidiary of Yuehua Investment
"%"	percentage

* the English translation of the Chinese name is for information purpose only and should not be regarded as the official English translation of such Chinese name.

In this 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.