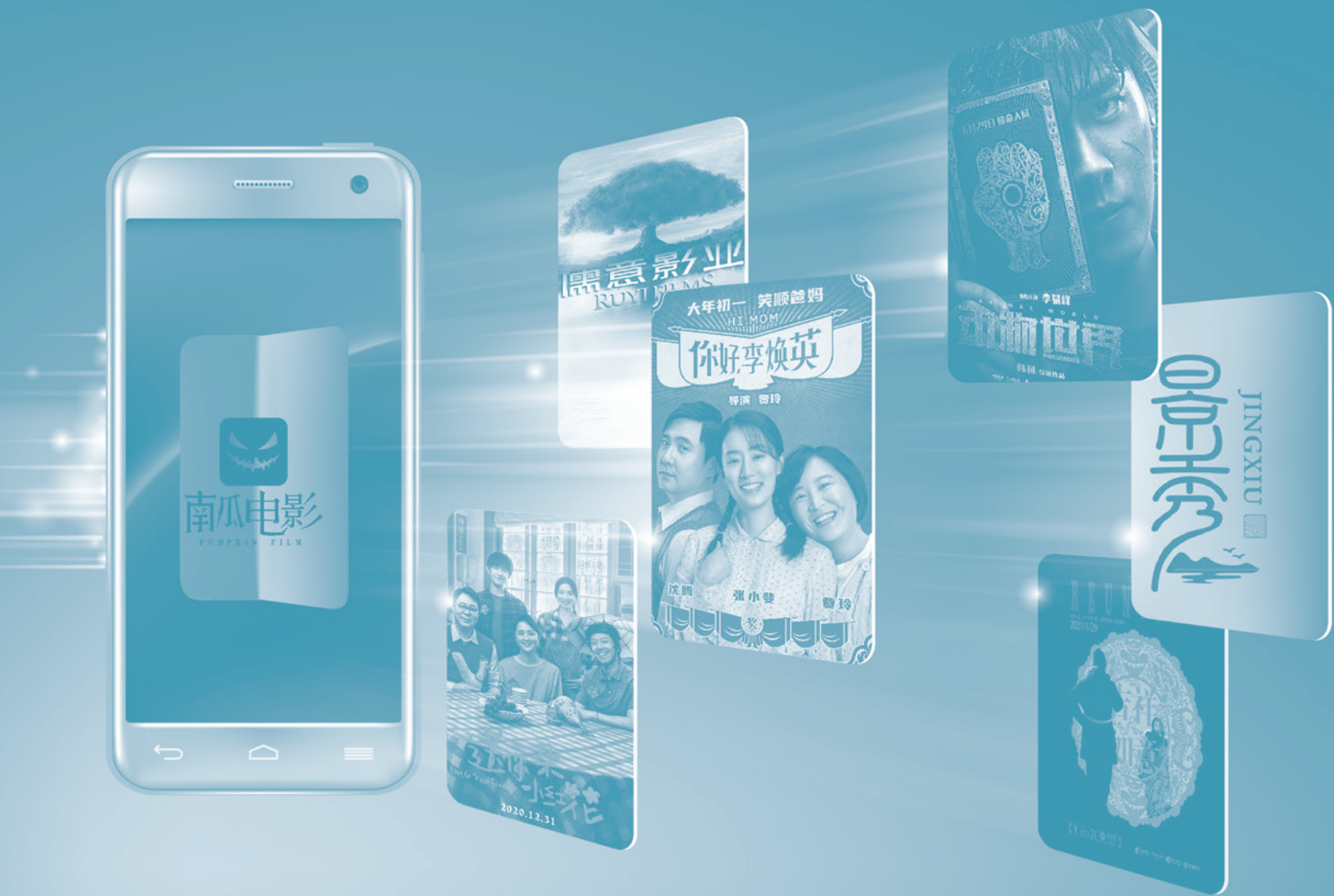
儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED
中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)
(Stock Code: 136)

2021
ANNUAL REPORT


南瓜电影
PUMPKIN FILM
儒意影业
大年初一 笑顺爸妈
HI,MOM
你好李焕英
JINGXIU
2020.12.31

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ke Liming *(Chairman)*
Ms. Chen Xi
Mr. Wan Chao
Mr. Zhang Qiang

Independent Non-executive Directors

Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin

AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Nie Zhixin
Mr. Chen Haiquan

REMUNERATION COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Ke Liming
Mr. Nie Zhixin

NOMINATION COMMITTEE

Mr. Ke Liming *(Chairman)*
Mr. Nie Zhixin
Mr. Chen Haiquan

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23rd Floor
China Evergrande Centre
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Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Laijin Culture Creative Industrial Park
Chaoyang District
Beijing
The People's Republic of China

SHARE REGISTRARS

Bermuda

MUFG Fund Services (Bermuda) Limited
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Pembroke HM08
Bermuda

Hong Kong

Tricor Secretaries Limited
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Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited
Bank of Hangzhou Co., Ltd.
Agricultural Bank of China Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

WEBSITE ADDRESS

http://ryholdings.com

DATE OF REPORT

31 March 2022

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the results of China Ruyi Holdings Limited (the "**Company**" or "**China Ruyi**"), its subsidiaries and its controlled entities (the "**Group**") for the year ended 31 December 2021 (the "**Year**").

BUSINESS REVIEW

After fully tapping into content production and online streaming business more than one year ago, the Group has been fully leveraging on its professional competitive edges in terms of content and technology, as well as the resources of its major shareholders, including Tencent Holdings Limited ("**Tencent Holdings**") (0700. HK), aiming to provide quality contents for users. The Group has provided Chinese users with high quality streaming services through continuous investments in research and product innovation.

2021 was marked with both opportunities and challenges. COVID-19 pandemic continued to spread around the world. In China, where effective COVID-19 pandemic prevention and control measures were implemented, there were still recurring local outbreaks in certain areas, which affected the development of the film and television industry to a certain extent. However, the Group, adhering to its strategy of quality content, has distributed dramas and movies under prudent judgement, which received both public praise and box office success. At the same time, under the management of a professional team that understands and is passionate about content production and well-versed in the operation of online platforms, the Group's streaming platform, Pumpkin Films, also showed a strong growth momentum. Through the integration of industry ecosystem resources, multi-channel and cost effective measures for customer acquisition and the empowerment by technologies including multi-dimensional algorithm, users' attention and enthusiasm are effectively boosted. This results in further expansion in member user base and increase in level of customer stickiness, which facilitates the rapid growth achieved by the Group's content production and online streaming business.

In 2021, the Chinese government has introduced a series of favorable policies. For instance, the new Copyright Law, with effect from 1 June 2021, and the Rules on Content Review Standards for Internet Short Videos (《網路短視頻內容審核標準細則》) issued by the China Netcasting Services Association (中國網絡視聽節目服務協會) on 15 December 2021, have provided effective legal support for protecting copyrights of long videos and resisting infringement of medium and short videos. In addition, the awareness and habit of paying for quality content is also growing among Chinese media streaming users. Paying for content has become an important trend in online cultural consumption, and streaming media has become an important platform for mass cultural entertainment, which have contributed to an optimal environment for the development of the Group's content production and online streaming business.

Since fully tapping into the content production and online streaming business, the Group takes provision of quality contents for users as its mission, with serving users as its business core. On the one hand, the Group focused on the vertical subscription-only membership system. Through the impeccable production capabilities of Ruyi Films, combined with the advanced algorithms and the unique ad-free model of Pumpkin Films, the Group aims to continuously provide global users with a vast number of quality content along with the ultimate viewing experience. On the other hand, the Group actively expands and enriches the contents of streaming media. Through continuous investment in research and product innovation, the Group expanded its business scope to various fields, covering games and IP monetization in the upstream and downstream of the industry chain, providing users with richer and more diversified streaming media services with better quality.

Content production and online streaming business

(I) Pumpkin Films

In 2021, Pumpkin Films, a film platform under the Group, integrated the industry ecosystem resources and maintained a steady and rapid growth in new members. As at 31 December 2021, the cumulative number of registered members of Pumpkin Films reached 70.84 million, representing an increase of 101% as compared to 31 December 2020, while the cumulative number of paid subscribers reached 28.68 million, representing a year-on-year increase of 472%.

(II) Ruyi Films

Ruyi Films is a professional film and television production brand of the Group with industry leading capabilities in research and development, production, as well as promotion and distribution. From a genre perspective, based on the segmentation and subdivision of audience, Ruyi Film has achieved coverage of different groups of people by leveraging on its experience in systematic production. On the one hand, there are youthful masterpieces that focus on passionate years of life and sing the praise of ordinary everyday lives, such as "Hi, Mom" (《你好，李煥英》), "Old Boy" (《老男孩》) and "City of Rock" (《縫紉機樂隊》). On the other hand, there are also major period dramas with both ideological depth and aesthetic appeal that tell the story of Chinese history and pass on the national spirit, such as "All Quiet in Peking" (《北平無戰事》), "Doctor of Traditional Chinese Medicine" (《老中醫》) and "The Legendary Tavern" (《老酒館》). Secondly, Ruyi Films has a team of seasoned and talented producers. Leveraging the experience in industrialized film and television production, the producer-centric system at Ruyi Films creates a complete content production chain that standardizes and refines the production process. This ensures the stable and continuous production of high-quality content, and effectively controls the costs, expenses and investments. Through a scientific production workflow, Ruyi Films maximizes the artistic and commercial value of its works, and continues to promote the development of China's film industry. Since 2006, leveraging on its extremely creative scripts, accurate market positioning, professional resource consolidation, standardized production management and rich experience in promotion and distribution, Ruyi Films has incubated the creation of more than 100 film and television copyrights. It has also invested in and produced numerous extremely influential film and television works, which won numerous significant awards, such as the Flying Apsaras Award, the Golden Eagle Award, the Magnolia Award and the Huading Award.

In 2021, Ruyi Films took lead in the released several films, namely ''A Little Red Flower'' (送你一朵小紅花) and ''Hi, Mom'' (你好，李煥英), as well as "The Reunions" (吉祥如意), "Shock Wave 2" (拆彈專家2), as well as two TV dramas ''Xiaguang'' (霞光) and ''Poetry of the Song Dynasty'' (大宋宮詞). In particular, ''Hi, Mom'' (你好，李煥英), which was released on 12 February 2021, recorded a box office of over RMB5.414 billion, and has ranked second in the box office of Chinese movies in 2021. The film also broke the record of exceeding the box office of RMB5 billion at the fastest pace in Chinese film history. Against the backdrop of continuous sluggish global film and television industry as affected by the pandemic, Ruyi Film's critically acclaimed box office successes have greatly boosted market confidence, and have addressed the general public's great need for high-quality works of art during the pandemic period.

Internet community and related businesses

In respect of the home furnishing and material business under the Group's internet community and related businesses, the Group was able to meet customers' consumption needs for one-stop home furnishing with its home furnishing and materials business which covers categories including customized furniture, complementary home electric appliances, balcony textile art products and soft decorations, decoration engineering and kitchen supplies. In 2021, the Group maintained production of its home products, and launched 8 product lines, totaling 200 individual pieces of furniture. Through the model of "panoramic display in online stores, live experience in offline model rooms", the Group continuously developed itself in a standardized manner and in scale. As at 31 December 2021, the Group has launched its home furnishing and material business in more than 600 projects.

BUSINESS OUTLOOK

Looking forward, the management of the Group believes that China's streaming media industry will further expand. The clear and favorable policies and laws are generating strong momentum for the business's current development. There will be great potential for its future development. At the same time, the awareness of users on paying for quality dramas and films has been increasing and becoming a habit. Streaming media platform has become an important platform for public to enjoy dramas and films. Thus, the Group will continue the vigorous development of its content production and online streaming business.

Content production and online streaming business

(I) Riding the developmental wave of the era

Modern technologies gave rise to a brand new cultural environment and distribution channel for arts of dramas and films. Streaming media platform stands out from others, thanks to its unique content ecosystem and user experience. Meanwhile, with the increasing trend of consumption upgrade, the public's aesthetic standards and artistic qualities also continued to improve. Comparing to medium and short videos, which mainly depend on user-generated content and focus on satisfying users' sensory and entertainment demands during users' small pockets of time, long videos depend on a professional content production. As a result, long videos are superior in constructing meta-universes, demonstrating ideological values, creating complete narratives and passing on tradition and heritage. Long videos play an irreplaceable role in satisfying the public's increasing cultural needs.

The 11th National Congress of the Chinese Federation of Literary and Art Circles and the 10th National Congress of the Chinese Writers Association held in December 2021 reiterated the glorious mission of literary and artistic work to "raise the flag of national spirit, gather people's hearts, nurture new people, promote culture and showcase the national image", as well as to showcase the refreshed scene of Chinese literature and art and forge a new splendour of Chinese culture, with new commitment to cultivating roots and shaping the soul, and new actions to guard our cultural inheritance while promoting innovation.

The Group will continue to persist in standing with the people, guarding our cultural inheritance while promoting innovation, encouraging righteousness, enhancing cultural self-awareness and cultural self-confidence, actively participating in the construction of a socialist nation with strong cultural heritage and development, and narrating the Chinese story with passion and vigour. The Group will, adhering to the developmental concept of "technology facilitates innovation, innovation facilitates growth", embrace future technology development and innovation with an open mindset, and produce more popular dramas and movies by leveraging on its expertise. Looking forward, the Group will continue to deepen its innovation and applications of smart technology, and use technology to empower the upgrading of the streaming media industry, thereby bringing immersive cultural and entertainment experiences for users.

(II) Developing competitive advantages

Both Pumpkin Films and Ruyi Films have their own industry-leading competitive advantages. By focusing on differentiated content creation and diversified contents, the two brands steadily and continuously create dramas and films that are in line with the central theme and popular among subscribers and will continue to increase its attractiveness to subscribers, build up unique brand image, create core competitiveness and establish strong business moats.

Ruyi Films adopts the producer-centric system and has extensive experience in industrialized film production. Through refined division of works, scientific management, standardized production and line production, while lowering the costs of production, Ruyi Films is able to achieve products with relatively high degree of artistic completeness, predictable commercial returns, and sustainable research and development and production. By collecting the real viewing data of a large number of paid users, the Group analyzes the film types that are popular among users through advanced multi-dimensional algorithm. The Group facilitates data-orientated content production based on the real preference of users. Leveraging on its strong industrialized production capability, Ruyi Films create customized and exclusive content for Pumpkin Films, thereby creating a user-orientated customized content production model. At the same time, the Group will continue to discover and demonstrate the essence of traditional Chinese culture, promote mainstream values, and actively reflect the themes of the era. Through modern, artistic and popularized production and expression, the Group aims to create resonance between films and audiences and provide a spiritual sustenance for audiences, thus strengthening the cultural identity and cultural confidence of Chinese people. The Group will assist China's streaming media industry in creating appealing narratives of the Chinese people, and promoting Chinese culture across the world.

(III) Unleashing the competitive advantages of shareholder empowerment

In 2021, the streaming media business of the Group experienced rapid development. At the same time, dramas and movies produced had received both public praise and box office successes. While making breakthrough in the Group's business development, Tencent Holdings, one of the Group's substantial shareholders, continues to be optimistic on the Group's development prospects. In the second quarter of 2021, Tencent Holdings entered into an agreement with the Group in relation to the sharing of certain film and television copyrights. At the beginning of 2022, the Group and the Tencent Holdings also reached an agreement on cooperation in the gaming sector. Tencent Holdings will not only provide full technical support but also assist the promotion and attraction of users through different high-traffic channels such as Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶). At present, "Chuanqi Tianxia" (《傳奇天下》), being the first mobile game under the cooperation, will be launched in 2022. Looking forward, a number of other games will also be gradually launched. In addition, Tencent Holdings, through its wholly-owned subsidiary, has also entered into a share subscription agreement with the Company to subscribe for additional shares of the Company, maintaining its position as the Group's second largest shareholder. This reflected its recognition on the business development of the Group in 2021, as well as its strong confidence in the future development of the Group.

Looking forward, the Group will fully integrate with its shareholders' ecosystems. Leveraging on the competitive advantages and strengths of its shareholders in the whole industry chain and relevant digital data fields, the Group will further enhance and optimize the upper and lower stream businesses in the industry chain, as well as online and offline channels. Through the vast amount of traffic-attracting resources empowered by shareholders, the Group will establish an efficient traffic pool, thus achieving continuous growth in its number of subscribers. Meanwhile, the Group will conduct more in-depth cooperation with Tencent Holdings to facilitate the rapid development of the Group. Please refer to the announcements for the details of the cooperation.

Internet community and related businesses

Through regulated management and standardized service, the Group provides quality one-stop fully furnished services. The Group will focus on audience attraction, marketing plan, product management, distributor management, customer service and other fields, and realize digital empowerment, thereby improving marketing conversion rate and customer satisfaction. The Group will expand the application of intelligent technologies such as VR/AR so as to bring new scenario-based consumption experience for users. Looking forward, the Group will further expand product offerings, and continuously fulfill customers' needs on diversified and customized services. Meanwhile, the Group will also, by fully utilizing its competitive advantages in industry chain resources and strict quality management system, actively create more self-owned home and living brands.

Loan financing

During the year ended 31 December 2021, no new loan was granted and therefore no interest income was generated from this segment (for the year ended 31 December 2020: nil).

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the Group set out in this report or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders of the Company (the "**Shareholders**") and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

APPRECIATION

I would like to take this opportunity to thank our shareholders, investors and business parties for their continuing support to the Group, and to my colleagues for their valuable contribution during the Year.

By order of the Board
China Ruyi Holdings Limited
Mr. Ke Liming
Chairman

Hong Kong, 31 March 2022

FINANCIAL PERFORMANCE SUMMARY

The Group recorded a profit attributable to owners of the Company of approximately RMB1,174 million for the year ended 31 December 2021, which increased by approximately RMB1,162 million as compared to the profit attributable to owners of the Company of approximately RMB12.0 million for the year ended 31 December 2020. The increase in the profit attributable to owners of the Company was mainly due to contribution from content production and online streaming business. It contributed to a segment profit of approximately RMB558 million for the year ended 31 December 2021.

The basic and diluted earnings per share were RMB0.13 and RMB0.11 for the year ended 31 December 2021 respectively as compared to the basic and diluted earnings per share of RMB0.00149 and RMB0.00149 for the year ended 31 December 2020.

For the year ended 31 December 2021, the Group conducted its content production and online streaming business in China, and its turnover increased from RMB230 million for the year ended 31 December 2020 to RMB2,318 million for the year ended 31 December 2021, including revenue from the content production and online streaming segment of RMB2,215 million and revenue from the internet community and related services segment of RMB52 million.

The costs of the content production and online streaming business are mainly content costs, labour costs, depreciation and amortization costs. Gross profit margin of such segment was approximately 44.5%. After deducting selling and marketing costs, administrative and other expenses of approximately RMB1,518 million, the segment recorded a profit before tax of approximately RMB697 million.

The turnover of internet community and related services decreased by approximately 72.0% from RMB185.5 million for the year ended 31 December 2020 to RMB52.0 million for the year ended 31 December 2021. The costs of such business segment are mainly labour costs, depreciation and amortization costs and material procurement costs. Gross profit margin recorded for the year ended 31 December 2021 was approximately 40.7%, representing a decrease of approximately 11 percentage points as compared to the year ended 31 December 2020.

The turnover of manufacture and sales of accessories business increased by approximately 14.3% from RMB44.6 million for the year ended 31 December 2020 to RMB51.0 million for the year ended 31 December 2021. Gross profit margin recorded for the year ended 31 December 2021 was approximately 29.1%, representing a decrease of approximately 3.1 percentage points as compared to the year ended 31 December 2020.

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through shareholder's equity, borrowings and cash generated from operations. During the year ended 31 December 2021, the liquidity of the Group was closely monitored by the board of Directors (the "**Board**") and the Group reviews its working capital and finance requirements on a regular basis.

Liquidity

As at 31 December 2021, the Group maintained cash and bank balance of approximately RMB1,139.5 million (as at 31 December 2020: approximately RMB1,031.1 million). The increase in cash and bank balance was mainly due to operation.

Borrowings and Gearing Ratio

As at 31 December 2021, the Group's borrowings amounted to approximately RMB1,523.0 million (as at 31 December 2020: nil). Particulars of borrowings of the Company and the Group as at 31 December 2021 are set out in note 22 to the consolidated financial statements.

As at 31 December 2021, the Group's net equity amounted to approximately RMB5,613.2 million (as at 31 December 2020: approximately RMB1,183.2 million) with total assets amounted to approximately RMB10,619.9 million (as at 31 December 2020: approximately RMB1,273.2 million). Net current assets were approximately RMB2,267.9 million (as at 31 December 2020: approximately RMB1,156.1 million) and the current ratio was 2.3 times (as at 31 December 2020: 15.8 times). Gearing ratio calculated on the basis of the Group's total debts (borrowings and lease liabilities) over shareholders' funds was 2.8% (as at 31 December 2020: 1.4%).

COMMITMENT

As at 31 December 2021, the Group had capital commitments contracted but not provided for of approximately RMB544 million (as at 31 December 2020: nil).

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi as at 31 December 2021. The content production and online streaming business is mainly carried out in Renminbi in the PRC. Therefore, the Group is exposed to the risk of significant fluctuation in Renminbi exchange rates. During the year ended 31 December 2021, the Group closely monitored the fluctuation and does not expect any material fluctuation of exchange rates in the near future, but will continue to monitor it.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2021, the Group did not have any significant investments.

CHARGE OF ASSETS

During the year ended 31 December 2021, the Group did not have any charges on assets.

CONTINGENT LIABILITIES

The Company and the Group did not provide corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 31 December 2021 (as at 31 December 2020: nil).

SHARE-BASED PAYMENT

2013 Share Option Scheme

The Company's share option scheme (the "**2013 Share Option Scheme**") was adopted pursuant to a resolution passed by the Shareholders on 31 October 2013. The purpose of the 2013 Share Option Scheme is to provide incentives to eligible participants. During the year ended 31 December 2021, save as 181,917,000 share options granted on the 26 November 2021 disclosed in the announcement of the Company published on the same date, the Company has not granted any other new share option under the 2013 Share Option Scheme or adopt any other share option scheme. For the year ended 31 December 2021, (i) 181,917,000 share options granted under the 2013 Share Option Scheme had not been exercised; and (ii) no share option granted under the 2013 Share Option Scheme had been lapsed or cancelled (for the year ended 31 December 2020: nil). For further details of the movements of share options granted to any director(s) of the Company (each a "**Director**" and collectively, the "**Directors**") during the Year, please refer to the sub-section headed "*SHARE CAPITAL AND WARRANTS*" in the Director's Report of this report.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed approximately 410 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage and mandatory provident fund, etc. Total staff costs for the year ended 31 December 2021, including directors' emoluments, amounted to approximately RMB113.5 million (2020: RMB85.6 million).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: nil).

MATERIAL ACQUISITION AND DISPOSAL

On 20 January 2021, the Group completed its acquisition of all issued share capital in Virtual Cinema Entertainment Limited and its subsidiaries. For further details of the above acquisition, please refer to the announcements of the Company dated 26 October 2020 and 20 January 2021, and the circular of the Company dated 31 December 2020. During the year ended 31 December 2021, saved for the aforesaid acquisition, there was no material acquisition and disposal.

As of 31 December 2021, the Group did not have detailed future plans for material investments or capital assets. The Group continues to explore appropriate investment opportunities, including but not limited to, in the content production and online streaming related businesses in order to further improve the overall performance, competitiveness and prospects of the Group.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries principally engage in content production and online streaming business, internet community services and related businesses, manufacture and sales of accessories.

BUSINESS REVIEW

A review of the Group's business during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company which occurred during the Year are provided in the section headed "Chairman's Statement", the section headed "Management Discussion and Analysis" of this report and note 3 to the consolidated financial statements.

The Group manages environmental and social issues that affect the Group and on which the Group can have an impact. All activities of the Group must comply with the laws and regulations in the jurisdictions in which it operates in relation to emissions, use of resources and environmental protection. The Group reduces the consumption of energy and other resources, reduces wastes and protects natural resources. The Group implements separate collection and disposal of the non-hazardous wastes and few ink boxes and toner cartridges generated during its operation process and is committed to minimizing the impacts of its operation on the natural environment during the operation. The Group actively guides employees to implement the concept of green environmental protection in their daily work. Based on business characteristics and relying on the carrier of the network platform, the Group gradually delivers green environmental protection information to owners and customers in a timely manner to help improve the public's awareness and attention to environmental protection.

Also, the Group has actively managed and monitored risks to protect and help the business development of the Group. The Group considered that the relationship with its customers has a relatively significant impact on the Group. The information about the Group's major customers, risk associated with reliance on those major customers and measures to mitigate such risk are disclosed in note 5(f) and note 3.1(d) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group during the Year are set out in the consolidated statement of comprehensive income on pages 73 and 74 of this report.

The Directors do not recommend the payment of a dividend for the Year.

SHARE CAPITAL AND WARRANTS

As disclosed in the sub-section headed "*MATERIAL ACQUISITION AND DISPOSAL*" in the Director's Report in this report, on 20 January 2021, the Group has completed its acquisition of all issued share capital in Virtual Cinema Entertainment Limited and its subsidiaries, and the Consideration Shares and Warrants (each such term as defined in the circular of the Company dated 31 December 2020) were issued to Pumpkin Films Limited on the same day.

For further details of the issue and allotment of the Consideration Shares and the Warrants during the Year, as well as the above acquisition, please refer to the announcements of the Company dated 26 October 2020 and 20 January 2021, and the circular of the Company dated 31 December 2020.

Details of movements in the share capital and warrants of the Company during the Year are set out in notes 19 and 35 to the consolidated financial statements respectively.

SHARE OPTIONS

The Company's 2013 Share Option Scheme, was adopted pursuant to a resolution passed on 31 October 2013, for the primary purpose of providing incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity and which will expire 10 years after the date of adoption. Under the 2013 Share Option Scheme, the board of directors of the Company may, at its discretion, grant options to supplier, customer, person or entity that provides research, development or technological support or other services to the Group or any invested entity, shareholder or any member of the Group or any invested entity, holder of any securities issued by any member of the Group or invested entity and employee, including executive and non-executive directors of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company at a price of (i) the closing price of the shares on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on the date of grant of the option, which must be a trading day or (ii) the average of the closing prices of the shares on the Hong Kong Stock Exchange on the five trading days immediately preceding the date of grant of the options or (iii) the nominal value of the shares, whichever is the highest.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and any other schemes shall not exceed 30% of the total number of the issued share of the Company from time to time. The number of shares which may be issued upon exercise of all share options to be granted under the 2013 Share Option Scheme shall not exceed 7,359,057,611 shares, representing 10% of the total number of shares in issue on 10 June 2016, the date when the refreshment of the scheme mandate limit was approved by Shareholders.

The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the issued share of the Company. Upon acceptance of option, the grantee shall pay HK$1 to the Company by way of consideration of the grant. An option may be exercised at any time during the validity period of the options.

There is no vesting period or market or non-market performance condition for the 2013 Share Option Scheme. The expiry date of the option is 10 years after the grant.

On 26 November 2021, a total of 181,917,000 share options were granted to a total of 16 senior management and major employees of the Group under the 2013 Share Option Scheme. Save for Ms. Chen Xi and Mr. Zhang Qiang, each an executive Director, none of the individual grantees was a Director, chief executive or substantial Shareholder of the Company, or an associate of any of them. Save as the aforesaid share options granted on 26 November 2021, the Company has not granted any other new share option under the 2013 Share Option Scheme or adopted any other share option scheme during the year ended 31 December 2021.

As at 31 December 2021, (i) 181,917,000 share options granted under the 2013 Share Option Scheme had not been exercised; and (ii) no share option granted under the 2013 Share Option Scheme had been lapsed or cancelled (as at 31 December 2020: nil). As at 31 December 2021, the total number of securities available for issue under the 2013 Share Option Scheme was 181,917,000 shares of the Company (which represented approximately 1.97% of the issued share capital of the Company as at 31 December 2021).

Details of movements of share options granted to the directors of the Company during the year ended 31 December 2021 are as follows:

		Number of Share Options (thousands)					
Name of director	**Date of grant**	**As at 1 January 2021**	**Granted during the year**	**Exercised during the year**	**As at 31 December 2021**	**Exercise period**	**Exercise price (HKD)**
Ms. Chen Xi	26 November 2021	—	2,400	—	2,400	26 November 2022–25 November 2027	3.43
	26 November 2021	—	4,800	—	4,800	26 November 2023–25 November 2028	3.43
	26 November 2021	—	7,200	—	7,200	26 November 2024–25 November 2029	3.43
	26 November 2021	—	14,400	—	14,400	26 November 2025–25 November 2030	3.43
	26 November 2021	—	19,200	—	19,200	26 November 2026–25 November 2031	3.43
	Sub-total:	**—**	**48,000**	**—**	**48,000**		
Mr. Zhang Qiang	26 November 2021	—	500	—	500	26 November 2022–25 November 2027	3.43
	26 November 2021	—	1,000	—	1,000	26 November 2023–25 November 2028	3.43
	26 November 2021	—	1,500	—	1,500	26 November 2024–25 November 2029	3.43
	26 November 2021	—	3,000	—	3,000	26 November 2025–25 November 2030	3.43
	26 November 2021	—	4,000	—	4,000	26 November 2026–25 November 2031	3.43
	Sub-total:	**—**	**10,000**	**—**	**10,000**		
	Total:	**—**	**58,000**	**—**	**58,000**		

Notes:

1. The vesting period for the share options granted on 26 November 2021 is from 26 November 2022 to 25 November 2031.

2. The closing price immediately before the date on which the share options were granted on 26 November 2021 was HKD3.43 per share.

Details of movements of share options granted to senior management and employees of the Group (apart from director(s) of the Company) during the year ended 31 December 2021 are as follows:

	Number of Share Options (thousands)					
Date of grant	**As at 1 January 2021**	**Granted during the year**	**Exercised during the year**	**As at 31 December 2021**	**Exercise period**	**Exercise price (HKD)**
26 November 2021	—	6,196	—	6,196	26 November 2022–25 November 2027	3.43
26 November 2021	—	12,392	—	12,392	26 November 2023–25 November 2028	3.43
26 November 2021	—	18,588	—	18,588	26 November 2024–25 November 2029	3.43
26 November 2021	—	37,175	—	37,175	26 November 2025–25 November 2030	3.43
26 November 2021	—	49,566	—	49,566	26 November 2026–25 November 2031	3.43
Total:	**—**	**123,917**	**—**	**123,917**		

Notes:

3. The vesting period for the share options granted on 26 November 2021 is from 26 November 2022 to 25 November 2031.

4. The closing price immediately before the date on which the share options were granted on 26 November 2021 was HKD3.43 per share.

Details of the movements in the share options of the Company and the valuation of the share options of the Company during the year are set out in Note 21 to the consolidated financial statement.

EQUITY-LINKED AGREEMENTS

Save as the 2013 Share Option Scheme disclosed above, the Company had not entered into any equity-linked agreements in 2021, nor did there subsist any equity-linked agreement entered into by the Company as at 31 December 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group's property, plant and equipment during the Year are set out in note 6 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve was as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contributed surplus	**63,481**	63,481
Accumulated losses	**(3,496,542)**	(3,824,198)
	(3,433,061)	(3,760,717)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors:

Mr. Ke Liming *(Chairman; appointed with effect from 11 August 2021)*
Mr. Xu Wen *(former Chairman; whose resignation took effect from 14 December 2021)*
Ms. Chen Xi *(appointed with effect from 14 December 2021)*
Mr. Wan Chao
Mr. Zhang Qiang *(appointed with effect from 14 December 2021)*
Mr. Chen Cong *(appointed with effect from 20 January 2021, whose resignation took effect from 14 December 2021)*
Mr. Huang Xianggui *(whose resignation took effect from 11 August 2021)*

Independent Non-executive Directors:

Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin

Pursuant to bye-law 87 of the Company's bye-laws ("**Bye-laws**"), each of Mr. Chau Shing Yim David, Mr. Nie Zhixin and Mr. Chen Haiquan will retire from office by rotation at the forthcoming annual general meeting (the "**AGM**") and, being eligible, offer himself for re-election at the forthcoming AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Each of the executive Directors has entered into a service contract with the Company and each of the independent non-executive Director has entered into a letter of appointment with the Company, all for a term of three years and is subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted during or at the end of the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this report, at no time during the Year had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interest and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) as required to be kept and recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by directors of the Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "**Listing Rules**") as adopted by the Company, was as follows:

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Beneficial interest in shares
Mr. Ke Liming *(Note 1)*	Controlled corporation	3,727,381,250	40.36%
Mr. Wan Chao *(Note 2)*	Beneficial owner	2,032,000	0.02%
Ms. Chen Xi *(Note 3)*	Beneficial owner	48,000,000	0.52%
Mr. Zhang Qiang *(Note 3)*	Beneficial owner	10,000,000	0.11%

Notes:

(1) The 1,893,101,943 shares of the Company were indirectly held by Mr. Ke Liming, an executive Director and the chairman of the Board. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 shares of the Company (as defined in Part XV of the SFO), i.e. the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly owned by Mr. Ke Liming.

(2) Of the 2,032,000 shares held by Mr. Wan Chao, Mr. Wan Chao held 1,592,000 shares directly and was deemed to be interested in 440,000 shares held by his spouse.

(3) The interests in shares (as defined in Part XV of the SFO) held by Ms. Chen Xi and Mr. Zhang Qiang respectively represent the underlying shares of the options granted to Ms. Chen Xi and Mr. Zhang Qiang under the 2013 Share Option Scheme.

Long positions in shares of China Evergrande Group:

Name of Director	Nature of interest	Beneficial interest in shares	Beneficial interest in shares
Mr. Chau Shing Yim David	Beneficial owner	1,000,000	0.01

Long positions in shares of Evergrande Property Services Group Limited:

Name of Director	Nature of interest	Beneficial interest in shares	Beneficial interest in shares
Mr. Chau Shing Yim David	Beneficial owner	2,121,000	0.02

Save as disclosed above, as at 31 December 2021, none of the Directors, the chief executives of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Listing Rules. During the Year, no individual has held the position of chief executive of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the Year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

Positions as at 31 December 2021

As at 31 December 2021, Shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Interest in the shares and underlying shares — long positions:

Name of Shareholder	Number of ordinary shares held	Deemed interests in number of shares	Total	Capacity	Approximate percentage of issued share capital of the Company
Mr. Ke Liming	0	3,727,381,250	3,727,381,250	Interest of a controlled corporation	40.36%
Pumpkin Films Limited *(Note 1)*	3,727,381,250	0	3,727,381,250	Beneficial owner	40.36%
Tencent Holdings Limited	0	1,819,234,565	1,819,234,565	Interest of a controlled corporation	19.70%
Water Lily Investment Limited *(Note 2)*	1,819,234,565	0	1,819,234,565	Beneficial owner	19.70%
Ms. Li Shaoyu (李少宇)	0	1,662,217,968	1,662,217,968	Interest of a controlled corporation	18.00%
Eagle Smart Capital Investment Group Limited *(Note 3)*	1,662,217,968	0	1,662,217,968	Beneficial owner	18.00%

Notes:

(1) Pumpkin Films Limited is wholly owned by Mr. Ke Liming. The 1,893,101,943 shares of the Company were indirectly held by Mr. Ke Liming, through Pumpkin Films Limited. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 shares of the Company (as defined in Part XV of the SFO), the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly owned by Mr. Ke Liming.

(2) Water Lily Investment Limited is an indirect wholly-owned subsidiary of Tencent Holdings Limited.

(3) Eagle Smart Capital Investment Group Limited is wholly-owned by Ms. Li Shaoyu.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any person who had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO.

Position as at 31 March 2022

As at the date of this report, being 31 March 2022, Shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Interest in the shares and underlying shares — long positions:

Name of Shareholder	Number of ordinary shares held	Deemed interests in number of shares	Total	Capacity	Approximate percentage of issued share capital of the Company
Mr. Ke Liming	0	3,727,381,250	3,727,381,250	Interest of a controlled corporation	40.36%
Pumpkin Films Limited *(Note 1)*	3,727,381,250	0	3,727,381,250	Beneficial owner	40.36%
Tencent Holdings Limited	0	1,883,234,565	1,883,234,565	Interest of a controlled corporation	20.39%
Water Lily Investment Limited *(Note 2)*	1,883,234,565	0	1,883,234,565	Beneficial owner	20.39%
Ms. Li Shaoyu (李少宇)	0	910,000,000	910,000,000	Interest of a controlled corporation	9.85%
Eagle Smart Capital Investment Group Limited *(Note 3)*	910,000,000	0	910,000,000	Beneficial owner	9.85%

Notes:

(1) Pumpkin Films Limited is wholly owned by Mr. Ke Liming. The 1,893,101,943 shares are indirectly held by Mr. Ke Liming, the executive director of the Company and the chairman of the board, through Pumpkin Films Limited. Mr. Ke Liming is also deemed to be interested in 1,834,279,307 shares (as defined in Part XV of the SFO), the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly owned by Mr. Ke Liming.

(2) Water Lily Investment Limited is an indirect wholly-owned subsidiary of Tencent Holdings Limited.

(3) Eagle Smart Capital Investment Group Limited is wholly-owned by Ms. Li Shaoyu.

Save as disclosed above, as at the date of this report, being 31 March 2022, the Company had not been notified by any person who had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the percentages of the Group's turnover attributable to its largest customer and five largest customers were 19.65% and 32.49% respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 12.71% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 5.14% of the Group's total purchases. None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisting during the Year.

STRUCTURED CONTRACTS

Background

As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, during the Year, the principal businesses of the Group are content production and online streaming business, internet community services and related businesses (among which included internet home furnishing business and internet materials business), manufacture and sales of accessories. In particular, the content production and online streaming business involve production and operation of audiovisual program service, commercial internet cultural activities and value-added telecommunication services (the "**Streaming Restricted Business**"). As the restricted business of the internet home furnishing business and internet materials business (i.e. the two Online Platforms (as defined below)) ceased operation as of 31 December 2021, the Company is not required to continue to rely on the arrangements under the Former OPCO Structured Contracts (as defined below) to obtain effective control over the Former OPCO, therefore it has arranged to terminate the relevant Former OPCO Structured Contracts. In addition, due to adjustments to the Group's business segments, as of 31 December 2021, the internet materials business (which was part of the internet community services and related businesses) ceased operation.

Content production and online streaming business

On 20 December 2007, the former State Administration of Radio, Film and Television (SARFT) published the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》) (amended on 28 August 2015, the "**Internet Audio-Visual Program Regulations**"), under Article 2 and Article 7 of which, the Group's online streaming media business constitutes an internet-based video-audio program service, and shall apply for the License for Dissemination Audio-Visual Programs via Information Network (信息網絡傳播視聽節目許可證) ("**AVSP License**") in accordance with the relevant requirements of the competent authorities. Article 8 thereof further provides that only state-owned or state-controlled companies are qualified to secure AVSP Licenses. In practice, only state-owned or state-controlled companies are qualified to secure such licenses, with the exception of a few Chinese non-state-related companies.

On 17 February 2011, the former Ministry of Culture published the Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》) (amended on 15 December 2017), under Article 3 of which, the Group's online streaming media business constitutes an internet-based cultural activity. Article 8 and Article 9 thereof further provided that an internet-based information service provider benefiting from Internet-based cultural activities shall apply for the Internet Culture Operation License (網絡文化經營許可證) ("**ICO License**") in accordance with the relevant requirements of the competent authorities. On 27 December 2021, the National Development and Reform Commission and the Ministry of Commerce promulgated the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (the "**Negative List**"), under which, foreign investors are prohibited from investing in the internet-based cultural operations (save for music operation(s)), and currently, only domestic PRC companies or Sino-foreign joint ventures in which CEPA (Closer Economic Partnership Arrangements) permit-holder(s) investing in no more than 50% equity interest may apply for such ICO License.

On 25 September 2000, the State Council published the Telecommunications Regulations (《電信條例》) (amended on 29 July 2014, and further amended on 6 February 2016). On 3 July 2017, the Ministry of Industry and Information Technology ("**MIIT**") published the Administrative Measures for the Licensing of Telecommunications Services (《電信業務經營許可管理辦法》). On 28 December 2015, the MIIT published the Classification Catalogue of Telecommunications Services (2015) (amended on 6 June 2019, "**2015 Catalogue**"). Under the Telecommunications Regulations, the Administrative Measures for the Licensing of Telecommunications Services and the 2015 Catalogue, the Group's online streaming business shall constitute the "internet information services" category which rendered the requirement to procure the value-added telecommunications services operation license (增值電信業務經營許可證). On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (amended on 10 September 2008, and further amended on 6 February 2016, the "**FITE Regulations**"). Article 6 of the FITE Regulations and the Negative List provide that foreign ownership of companies that provide value-added telecommunication services is limited to 50%. At the same time, foreign investors in a foreign-invested telecommunication enterprise engaging in value-added telecommunication services shall have a proven track record in operating value-added telecommunication services. On 19 June 2015, the MIIT published the Circular on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business (《關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》) ("**Circular No. 196**"), which allows up to 100% foreign ownership in enterprises operating in certain categories of e-commerce business, but foreign shareholder shall remain subject to other conditions and requirements in respect of foreign investment, including that foreign investors shall have a proven track record in operating value-added telecommunication services. On 29 March 2022, the State Council for the third time amended the FITE Regulations, which shall be effective and operational from 1 May 2022 (the "**Amended FITE Regulations**"), which removes the aforesaid requirement for the proven track record of foreign investors in operating value-added telecommunication services, nevertheless the limitation on the foreign ownership remains.

On 19 July 2004, the former SARFT published the Regulations on the Production and Operation of Radio and Television ("**TV**") Programs (《廣播電視節目製作經營管理規定》), as amended on 28 August 2015 and 1 December 2020 respectively (the "**Radio & TV Programs Regulations**"), under Article 2 and Article 4 of which, the Group's content production business, having constituted a form of radio & television program production and operation activity shall apply for a Permit for Production and Distribution of Radio and Television Program (廣播電視節目製作經營許可證). Article 12 thereof further provides that, in order to be qualified for TV dramas production, a Permit for Production of Television Series (電視劇製作許可證) must also be obtained in advance. Under the Negative List, foreign-invested enterprises, irrespective of the foreign ownership percentage, are prohibited from investing in companies engaging in radio and television programs production and operation or film production companies, and are strictly prohibited from applying for these permits.

Above all, as advised by our PRC legal counsel, currently, foreign investors are prohibited or restricted from engaging in the content production and online streaming media businesses which are conducted by each of the OPCOs (as defined below) of the Group in accordance with PRC laws and regulations, and thus, substantial legal obstacles remains to a certain extent in order for the WFOE (as defined below) to directly hold equity interests in each of the OPCOs and use relevant operating licenses and permits to conduct content production business and online streaming media business.

In view of the above, the Company shall obtain effective control of each operating company through structured contracts in accordance with the general practice within the industries, subject to foreign investment restrictions in the PRC. The Streaming Restricted Business of the Group is carried out by Beijing Ruyi Streaming Media Information Technology Co., Ltd.* ("**Beijing Ruyi**", 北京儒意流媒體信息技術有限公司), Shenzhen Jingxiu Network Technology Limited Company* ("**Jingxiu Network**", 深圳市景秀網絡科技有限公司), Beijing Xiaoming Zhumeng Data Service Co., Ltd.* ("**Beijing Xiaoming**", 北京曉明築夢數據服務有限公司), and Shanghai Ruyi Television Production Co., Ltd.* ("**Shanghai Ruyi**", 上海儒意影視製作有限公司, together with Beijing Ruyi, Jingxiu Network and Beijing Xiaoming, collectively as the "**OPCOs**" or each, an "**OPCO**")) and each of the wholly-owned subsidiaries of Shanghai Ruyi (i.e. Shanghai Ruyi Xingchen Enterprise Management Co., Ltd.* (上海儒意星辰企業管理有限公司), Shanghai Ruyi Film and Television Culture Communication Co., Ltd.* (上海儒意影視文化傳播有限公司), Hainan Ruyi Film and Television Production Co., Ltd.* (海南儒意影視製作有限公司), Sichuan Ruyi Xingchen Film and Television Culture Co., Ltd.* (四川儒意星辰影視文化有限公司) and Ruyi Films (Hangzhou) Co., Ltd.* (儒意影業(杭州)有限公司), collectively as "**Subsidiaries**") under the structured contracts (collectively the "**Structured Contracts**") with Shanghai Muzhou Network Technology Co., Ltd.* (the "**WFOE**", 上海沐洲網絡科技有限公司), a wholly-owned subsidiary of the Company.

The Company understands that it shall terminate the Structured Contracts should the relevant laws and regulations allow foreign investor ownership of the entire equity interest of the OPCOs and each of the Subsidiaries. Further details of the Structured Contracts are set forth below under the paragraph headed "The OPCOs Structured Contracts".

We have been advised by our PRC legal counsel that each of the Structured Contracts does not directly contravene the PRC laws and regulations, including the mandatory laws and regulations applicable to the WFOE, the OPCOs and/or each of the Subsidiaries.

The Group's content production and online streaming business are currently represented by "Pumpkin Films", the Group's film and television production and online streaming platform. As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, the content production and online streaming business of the Group developed rapidly in 2021. The Streaming Restricted Business of the Group is required to be operated by the OPCOs and their subsidiaries in order to commence production and operation of radio and television programs and films, and to capture the continuous growth of registered users and traffic of the online streaming media platform, so as to acquire core user base and platform for commencing the Group's business. Looking forward to the near future, the Group will continue to promote the growth of content production and online streaming business, produce more popular dramas and films leveraging on its expertise, continue to deepen its innovation and applications of smart technology, and apply technology to empower the upgrading of the streaming media industry, thereby bringing immersive video viewing experience for users. As the Streaming Restricted Business is a material component of the abovementioned major business sectors of the Group, its performance is expected to become important to the overall performance of the Group in the future.

* *For identification only.*

The OPCOs and their subsidiaries conduct their businesses through personal computer (PC) websites, mobile applications (mobile Apps) or television applications (TV Apps) which they own or are authorised to operate. The business which the OPCOs and their subsidiaries operate includes the provision of video content to internet users, and such type of business contributes to the Group's online streaming business. Furthermore, Shanghai Ruyi also engages in the production and operation of radio and television programs and films, and such type of business contributes to the Group's content production business.

Internet home furnishing and internet materials business

As disclosed in the above sub-section, during the Year, in addition to the Group's principal business of content production and online streaming business, it also operated the internet home furnishing and internet materials businesses as part the internet community services and related businesses. The internet home furnishing and internet materials business operated the online internet home e-commerce platform — named HTmehome and the online internet home and material one-stop e-commerce platform — "HTmega e-mall" (collectively, the "**Online Platforms**") during the Year. Under PRC laws, a business constituting as Online Data and Transaction Processing Business can be wholly-owned by foreign investor(s), whereas information services can only be owned by foreign investor(s) of up to 50%. Accordingly, during a limited period of the Year at which the Online Platforms were operational, there remains an extent of legal impediments for the Former WFOE (as defined below) or the Former OPCO (as defined below) to directly apply for the relevant e-commerce operation licenses and permits during the Year.

The restricted business of the Group's internet home furnishing business and internet materials business (i.e. the Online Platforms which ceased operation as of 31 December 2021) was previously carried out by Shenzhen HengTen Networks Company Limited* (the "**Former OPCO**", 深圳市恒騰網絡有限公司) under the structured contracts (the "**Former OPCO Structured Contracts**") with Shenzhen HengTen Networks Services Company Limited* ("**Shenzhen Hengten**", the "**Former WFOE**", 深圳市恒騰網絡服務有限公司), a wholly-owned subsidiary of the Company. As mentioned above, as of 31 December 2021, the two Online Platforms ceased operations. As the Company is not required to continue to rely on the arrangements under the Former OPCO Structured Contracts to obtain effective control over the Former OPCO, arrangements have been made to terminate the relevant Former OPCO Structured Contracts. Further details of the Former OPCO Structured Contracts are set forth below under the paragraph headed "The Former OPCO Structured Contracts".

Pursuant to an equity transfer agreement (the "**Former OPCO Equity Transfer Agreement**") dated 27 June 2019 between Ms. Deng Miaojing ("**Ms. Deng**", the Former OPCO's original shareholder) and Mr. Jiang Xiaodong ("**Mr. Jiang**"), Ms. Deng transferred her entire equity interest in the Former OPCO to Mr. Jiang. Prior to entering into the Former OPCO Equity Transfer Agreement, the Former OPCO was 55% owned by Ms. Deng and 45% owned by Ms. Yu Siyu ("**Ms. Yu**", together with Mr. Jiang, the "**Former OPCO Shareholders**"). After the execution of the Former OPCO Equity Transfer Agreement and the completion of filing procedures of the change in shareholder on 8 July 2019, the Former OPCO became 55% owned by Mr. Jiang and 45% by Ms. Yu. Pursuant to an equity transfer agreement (the "**Former OPCO 2021 Equity Transfer Agreement**") dated November 2021 between Mr. Jiang, Ms. Yu and the Former WFOE, Mr. Jiang and Ms. Yu transferred their entire equity interest in the Former OPCO to the Former WFOE. After the execution of the Former OPCO 2021 Equity Transfer Agreement and the completion of filing procedures of the change in shareholder on 23 November 2021, the Former OPCO became 100% owned by the Former WFOE (the "**Former OPCO 2021 Equity Transfer**").

Prior to the Online Platforms having ceased operations, the Former OPCO conducted its businesses through PC websites or mobile Apps which it owned or was authorised to operate. The business which the Former OPCO operated included publishing advertisement information to internet users, online orders, online payments, activating third party payment and other online application services, and such types of businesses contributed to the Group's information services business at the time. Furthermore, the Former OPCO also provided platform services through its PC websites or mobile Apps allowing third party vendors of goods or services to set up online virtual shops, and such types of businesses contributed to the Group's online data and transaction processing business.

Key financial information of the Group attributed by the OPCOs, its subsidiaries and the Former OPCO under the relevant structured contracts

The Group's total revenue for the Year, as contributed by the OPCOs, each of the Subsidiaries and other non-wholly owned invested companies under the Structured Contracts, amounted to approximately RMB2,215 million, representing approximately 97% of the Group's total revenue for the Year; and the total assets of the OPCOs, each of the Subsidiaries and other non-wholly owned invested companies, as at 31 December 2021, were approximately RMB9,509 million, representing approximately 90% of the total assets of the Group as at 31 December 2021.

The Group's total revenue for the Year contributed by the Former OPCO under the Structured Contracts amounted to approximately RMB33 million, representing approximately 1.44% of the Group's total revenue for the Year, with no total assets held by the Former OPCO as at 31 December 2021.

The OPCOs Structured Contracts

The Structured Contracts in relation to the content production and online streaming business are designed to enable the Group to recognise and receive the economic benefit of the business and operations of the OPCOs and their subsidiaries together with effective control over and (to the extent permitted by PRC laws, rules and regulations) the right to purchase the equity interests in and/or assets of the OPCOs.

(1) Exclusive Service Agreements

	Beijing Ruyi	**Shanghai Ruyi**	**Beijing Xiaoming**	**Jingxiu Network**
Parties	(i) the WFOE (ii) Beijing Ruyi	(i) the WFOE (ii) Shanghai Ruyi (iii) subsidiaries of Shanghai Ruyi (joining this agreement by way of signing the joinder agreement)	(i) the WFOE (ii) Beijing Xiaoming	(i) the WFOE (ii) Jingxiu Network
Date of the master agreement	1 August 2021	21 December 2020	29 December 2020	12 August 2021
Date of the joinder agreement	N/A	18 April 2022	N/A	N/A
Subject	Pursuant to each of the Exclusive Service Agreements, among other things, each of the OPCOs and their subsidiaries shall engage the WFOE as the exclusive service provider to provide technology support, business support and consultancy services as set out in the relevant Exclusive Service Agreements. Pursuant to each of the Exclusive Service Agreements, to the extent permissible by the applicable laws, each of the OPCOs and their subsidiaries shall pay the WFOE a service fee that equals to the audited profits after taxation. The service fee shall be payable on a quarterly basis.			

(2) Management and Operation Agreements

	Beijing Ruyi	Shanghai Ruyi	Beijing Xiaoming	Jingxiu Network
Parties	(i) the WFOE (ii) Beijing Ruyi (iii) Mr. Ke Liming (iv) Mr. Zhang Guoliang	(i) the WFOE (ii) Shanghai Ruyi (iii) Mr. Ke Liming (iv) Mr. Zhang Guoliang (v) subsidiaries of Shanghai Ruyi (joining this agreement by way of signing the joinder agreement)	(i) the WFOE (ii) Beijing Xiaoming (iii) Mr. Ke Liming (iv) Mr. Qing Gang	(i) the WFOE (ii) Jingxiu Network (iii) Mr. Ke Liming (iv) Beijing Ruyi
Date of the master agreement	1 August 2021	21 December 2020	29 December 2020	12 August 2021
Date of the joinder agreement	N/A	18 April 2022	N/A	N/A
Subject	Pursuant to the each of the Management and Operation Agreements, among other things, (1) each of the OPCOs and their subsidiaries; and (2) the relevant registered owners of the respective OPCOs (the "**PRC Registered Shareholder(s)**") and the ultimate beneficial owner to each of the OPCOs (the "**PRC Beneficial Owner(s)**") agreed and undertook that, without the WFOE's prior written consent or unless otherwise provided in the OPCO contracts, it shall not in any way engage in any conduct that may adversely affect or materially affect the assets, business, management model and management activities of the relevant OPCO and its subsidiaries (if any). Without limiting the foregoing, each of the OPCOs and their subsidiaries and the relevant PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) of each of the OPCOs undertake, among other things, that: (i) its articles of association shall not be amended; (ii) its registered capital shall not be increased or decreased; (iii) no subsidiaries shall be set up; (iv) save as otherwise provided by the relevant set of the Structured Contracts, its shareholding and the legal or beneficial interests in any assets, businesses or income (except for the transfer of accounts receivable arising in the ordinary course of its principal business) shall not be disposed of; (v) save for those contracts entered into during its ordinary course of business, it shall not enter into any material contact with the value of over RMB5,000,000; (vi) it shall not provide loans or grant credit to anyone; and (vii) its business operation model, profit model, marketing strategy, business policy or customer relationship shall not be substantially adjusted.			

(3) Call Option Agreements

	Beijing Ruyi	Shanghai Ruyi	Beijing Xiaoming	Jingxiu Network
Parties	(i) the WFOE (ii) Beijing Ruyi (iii) Mr. Ke Liming (iv) Mr. Zhang Guoliang	(i) the WFOE (ii) Shanghai Ruyi (iii) Mr. Ke Liming (iv) Mr. Zhang Guoliang	(i) the WFOE (ii) Beijing Xiaoming (iii) Mr. Ke Liming (iv) Mr. Qing Gang	(i) the WFOE (ii) Jingxiu Network (iii) Mr. Ke Liming (iv) Beijing Ruyi
Date of agreement	1 August 2021	21 December 2020	29 December 2020	12 August 2021
Subject	Pursuant to each of the Call Option Agreements, the relevant PRC Registered Shareholder(s) of each of the OPCOs agreed to, upon fulfilment of certain terms and conditions, dispose of all or part of the equity interests in the relevant OPCO held by them to the WFOE or its designated party.			

(4) Equity Pledge Agreements

	Beijing Ruyi	Shanghai Ruyi	Beijing Xiaoming	Jingxiu Network
Parties	(i) the WFOE (ii) Beijing Ruyi (iii) Mr. Ke Liming (iv) Mr. Zhang Guoliang	(i) the WFOE (ii) Shanghai Ruyi (iii) Mr. Ke Liming (iv) Mr. Zhang Guoliang	(i) the WFOE (ii) Beijing Xiaoming (iii) Mr. Ke Liming (iv) Mr. Qing Gang	(i) the WFOE (ii) Jingxiu Network (iii) Mr. Ke Liming (iv) Beijing Ruyi
Date of agreement	18 April 2022	30 December 2020	30 December 2020	12 August 2021
Subject	Pursuant to each of the Equity Pledge Agreements, the relevant PRC Registered Shareholder(s) of each of the OPCOs agreed to pledge all equity interests in the relevant OPCOs held by it to the WFOE, as continuing security for the performance of all their respective obligations under the relevant set of Structured Contracts			

(5) Shareholder Voting Right Agreements

	Beijing Ruyi	Shanghai Ruyi	Beijing Xiaoming	Jingxiu Network
Parties	(i) the WFOE (ii) Beijing Ruyi (iii) Mr. Ke Liming (iv) Mr. Zhang Guoliang	(i) the WFOE (ii) Shanghai Ruyi (iii) Mr. Ke Liming (iv) Mr. Zhang Guoliang	(i) the WFOE (ii) Beijing Xiaoming (iii) Mr. Ke Liming (iv) Mr. Qing Gang	(i) the WFOE (ii) Jingxiu Network (iii) Mr. Ke Liming (iv) Beijing Ruyi
Date of agreement	1 August 2021	21 December 2020	29 December 2020	12 August 2021
Subject	Pursuant to each of the Shareholder Voting Right Agreements, the relevant PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) of each of the OPCOs agree to authorise the WFOE, its designated nominee and the Company to exercise shareholder voting rights over the relevant OPCO at the sole discretion of the WFOE, its designated nominee and/or the Company.			

(6) Spouse Consent Letters

	Beijing Ruyi	Shanghai Ruyi	Beijing Xiaoming
Parties	Ms. Li Mengxiao	Ms. Li Mengxiao	Ms. Li Mengxiao
Date of agreement	1 August 2021	21 December 2020	29 December 2020
Subject	Pursuant to each of the Spouse Consent Letters, the spouse of Mr. Ke Liming (i.e. Ms. Li Mengxiao) confirms and agrees that: (i) Mr. Ke Liming may enter into the Structured Contracts and dispose of the 100% beneficial interests in Beijing Ruyi, Shanghai Ruyi and Beijing Xiaoming; (ii) the beneficial interests held by Mr. Ke Liming in Beijing Ruyi, Shanghai Ruyi and Beijing Xiaoming represented his individual property, not the joint property held by Mr. Ke Liming and herself; and (iii) she shall not make any claim in relation to the beneficial interests in Beijing Ruyi, Shanghai Ruyi and Beijing Xiaoming.		

(7) Nominee Shareholding Agreements

	Beijing Ruyi	Shanghai Ruyi	Beijing Xiaoming
PRC Beneficial Owner(s)	Mr. Ke Liming	Mr. Ke Liming	Mr. Ke Liming
PRC Registered Shareholder(s) (other than Mr. Ke Liming)	Mr. Zhang Guoliang	Mr. Zhang Guoliang	Mr. Qing Gang
Date of agreement	1 August 2021	21 December 2020	29 December 2020
Subject	Pursuant to each of the Nominee Shareholding Agreements, the relevant PRC Registered Shareholder(s) shall be the nominee of the PRC Beneficial Owner(s) for the beneficial interests and rights in Beijing Ruyi, Shanghai Ruyi and Beijing Xiaoming.		

On 29 December 2020, Jingxiu Network, its then PRC Registered Shareholder (Mr. Chen Cong) and the beneficial owner and the WFOE (as the case may be) entered into a structured contract which allowed Jingxiu Network to engage and operate the content production and online streaming business involve production and operation of audiovisual program service, commercial internet cultural activities and value-added telecommunication services. On 19 March 2021, the PRC registered shareholder of Jingxiu Network had been changed from Mr. Chen Cong into Mr. Zhang Guoliang, while Jingxiu Network, its then PRC registered shareholder (Mr. Zhang Guoliang), the beneficial owner and the WFOE (as the case may be) entered into another structured contract effective from 19 March 2021 to 12 August 2021. On 12 August 2021, the PRC Registered Shareholder of Jingxiu Network changed from Mr. Zhang Guoliang to Beijing Ruyi, while Beijing Ruyi, its PRC Registered Shareholder, the beneficial owner and the WFOE (as the case may be) entered into the above relevant Structured Contracts on 1 August 2021, and Jingxiu Network, Beijing Ruyi (as the PRC Registered Shareholder of Jingxiu Network), the beneficial owner of Jingxiu Network (Mr. Ke Liming) entered into the above relevant Structured Contracts. Jingxiu Network retained the permits and licenses required to operate the Streaming Restricted Business under the online streaming media business of the Group, with Jingxiu Network mainly operating the corresponding Streaming Restricted Business, while Beijing Ruyi (as the 100% registered shareholder of Jingxiu Network) operating the Group's Streaming Restricted Business through Jingxiu Network under the aforesaid Structured Contracts.

The provisions set out in the Structured Contracts are binding on the successors of the PRC Registered Shareholder(s) and/or the PRC Beneficial Owner(s), as if the successors were a signing party to the Structured Contracts. Although the Structured Contracts do not specify the identities of successors to such PRC Registered Shareholder(s) and/or the PRC Beneficial Owner(s), under the Civil Code of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Structured Contracts.

We have also implemented measures to protect against the potential conflicts of interest between the Group and relevant PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) of each of the OPCOs. Firstly, under the Call Option Agreements, the PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) shall irrevocably and unconditionally grant to the WFOE (or through its designated nominee) an exclusive option to purchase, when permitted by the applicable PRC laws and regulations, all or any part of the equity interests of the OPCOs. Secondly, pursuant to the Shareholder Voting Right Agreements, the PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) shall irrevocably entrust to the WFOE, its designated nominee and the Company to exercise on his behalf all rights as a shareholder of the relevant OPCO. Furthermore, Mr. Ke Liming, Pumpkin Films Limited and their respective affiliate(s) entered into a Deed of Non-Competition Undertaking dated 20 January 2021 in favour of the Group pursuant to which each of them undertaken that he/she will not (other than through the Group or the OPCOs) directly or indirectly operate, engage in, or have an interest in, invest in or otherwise participate in, through any corporate body, partnership, joint venture or other contractual arrangement (whether or not acting as a principal or agent for profit or other reasons), any business which is similar to or in competition with or may be in competition with any business conducted by the OPCOs or associated companies hereof from time to time or any such business which the OPCOs or its associated companies engage in, invest in or otherwise participate in unless otherwise provided for in the Deed of Non-Competition Undertaking. Therefore, we have minimised the impact of the relevant PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) of each of the OPCOs on the business operations of each of the OPCOs.

The entering into of the above Structured Contracts does not constitute any notifiable transaction under Chapter 14 of the Listing Rules or any connected transaction of the Company under Chapter 14A of the Listing Rules.

The Former OPCO Structured Contracts

Although the restricted business (i.e. the operation of the two Online Platforms) ceased operation as at 31 December 2021, it was once operated by the Former OPCO according to the Former OPCO Structured Contracts with the Former WFOE. Therefore, the details of Former OPCO Structured Contracts are set out. The business and operation of the Former WFOE and the Former OPCO ceased on 23 November 2021; and the structured contracts between the Former WFOE and the Former OPCO were also terminated.

Before its respective termination, the Former OPCO Structured Contracts were designed to enable the Group to recognise and receive the economic benefit of the business and operations of the Former OPCO together with effective control over and (to the extent permitted by PRC laws, rules and regulations) the right to purchase the equity interests in and/or assets of the Former OPCO.

(1) Exclusive Management Consultancy Service Agreement

Pursuant to the Exclusive Management Consultancy Service Agreement dated 27 June 2019 between the Former WFOE and the Former OPCO, among other things, the Former WFOE agreed to provide the relevant technological support and management consultancy services, consultancy on procurement of software and hardware, staff training and support, development and marketing of various platforms, industry consultancy and product development and business partners and market information to the Former OPCO as the Former OPCO's exclusive service provider; and is entitled to receive service fees at a range of 90% to 100% of the total monthly operating profit of the Former OPCO. Except as otherwise agreed, the Former OPCO shall not accept the same range of service provided by any third parties in the effective period of the agreement.

(2) Business Management Agreement

Pursuant to the Business Management Agreement dated 27 June 2019 between the Former WFOE, the Former OPCO and the Former OPCO Shareholders, among other things:

- the Former OPCO Shareholders agreed to procure the Former OPCO not to enter into any transaction which may materially affect its assets, business operation, human resources, right and obligations, or company management, unless with prior written consent from the Former WFOE or any third party designated by the Former WFOE;

- the Former OPCO and the Former OPCO Shareholders agreed to strictly implement relevant proposals from the Former WFOE from time to time in relation to the Former OPCO's recruitment and dismissal of employee, day-to-day business management, financial management, etc.; and

- each of the Former OPCO Shareholders agreed to, upon receiving any dividend or any other earnings or income from the Former OPCO as its shareholder, immediately and unconditionally pay or transfer all such earnings or income to the Former WFOE at nil consideration.

(3) Call Option Agreement

Pursuant to the Call Option Agreement dated 27 June 2019 between the Former WFOE, the Former OPCO and the Former OPCO Shareholders, the Former OPCO Shareholders granted the Former WFOE an unconditional, irrevocable and exclusive call option to, as and when permitted by applicable PRC laws, rules and regulations, purchase all or any part of the equity interests in the Former OPCO held by the Former OPCO Shareholders for a consideration of RMB10,000, or when appraisal is required under PRC laws, rules and regulations, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws, rules and regulations.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement dated 27 June 2019 between the Former WFOE and the Former OPCO Shareholders, the Former OPCO Shareholders pledged their entire equity interests in the Former OPCO to the Former WFOE as security for the performance of the obligations under the Exclusive Management Consultancy Service Agreement, the Business Management Agreement and the Call Option Agreement. The filing procedures of the equity pledge were completed on 29 July 2019.

(5) Powers of Attorney

Pursuant to the Powers of Attorney dated 27 June 2019 executed by each of the Former OPCO Shareholders, directors of the Former WFOE and their successors were irrevocably appointed as the attorney of the Former OPCO Shareholders to, among other things, exercise all rights of the Former OPCO Shareholders, including but not limited to the rights to vote in a shareholders' meeting, appoint directors and other senior executives, sign minutes, file documents with the relevant companies registry, and sell, transfer, pledge or deal in the equity interest held by the Former OPCO Shareholders.

(6) Undertakings

Pursuant to the Undertaking dated 1 April 2016 executed by Ms. Yu (being an Former OPCO Shareholder) and the Undertaking dated 27 June 2019 executed by Mr. Jiang (being an Former OPCO Shareholder) respectively,

- any successor to him/her shall hold the respective equity interest in the Former OPCO subject to the conditions, requirements and obligations under the Undertaking and the Former OPCO Structured Contracts;

- his/her respective equity interest in the Former OPCO does not form part of the community property, and his/her decisions in relation to the Former OPCO shall not be affected by his/her spouse;

- he/she will neither, directly or indirectly (either on his/her own or through any other individual or legal entity), participate or be engaged in any business which is or may be in competition with the business of the Former OPCO or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between himself/herself and the Former WFOE;

- in the event that he/she receives any asset in relation to the liquidation of the Former OPCO, he/she agrees to transfer to the Former WFOE such assets at nil consideration or at the lowest consideration as permitted by the then applicable laws and regulations; and

- in the event that he/she receives any amount from the Former WFOE or any third party in relation to the exercise of the call option under the Call Option Agreement, he/she agrees to unconditionally return all such amount to the Former WFOE or any third party designated by the Former WFOE.

Appropriate provisions had been incorporated in the above Former OPCO Structured Contracts to protect the Former WFOE's interests in the event of death, bankruptcy or divorce of the Former OPCO Shareholders of its equity interest in the Former OPCO to avoid any practical difficulties in enforcing the structured contracts. The Former OPCO Structured Contracts encompass certain provisions setting out that the respective contracts shall be legally binding on the legal assignees or successors of the parties thereto.

We have also previously implemented measures to protect against the potential conflicts of interest between the Group and the Former OPCO Shareholders. Pursuant to the Business Management Agreement, the Former OPCO and the Former OPCO Shareholders agreed to strictly implement relevant proposals from the Former WFOE from time to time in relation to the Former OPCO's recruitment and dismissal of employee, day-to-day business management, financial management, etc. Under the Call Option Agreement, the Former OPCO Shareholders granted the Former WFOE an unconditional, irrevocable and exclusive call option to purchase all or any part of the equity interests in the Former OPCO as and when permitted by applicable PRC laws, rules and regulations. Furthermore, under the Powers of Attorney executed by the Former OPCO Shareholders, directors of the Former WFOE and their successors were irrevocably appointed as the attorney of the Former OPCO Shareholders to exercise the shareholders' rights in the Former OPCO on behalf of the Former OPCO Shareholders. As a result, we have minimised the Former OPCO Shareholders' influence on the business operations of the Former OPCO.

The entering into of the above Former OPCO Structured Contracts did not constitute any notifiable transaction required to be disclosed under Chapter 14 of the Listing Rules, nor any connected transaction of the Company under Chapter 14A of the Listing Rules as, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Former OPCO Shareholders and the Former OPCO were not connected persons of the Company.

THE RISKS ASSOCIATED WITH THE STRUCTURED CONTRACTS AND THE ACTIONS TAKEN BY THE COMPANY TO MITIGATE THE RISKS (WHERE APPLICABLE)

Business risks and financial risks borne by the Group as the primary beneficiary of the OPCOs and the Former OPCO

As the primary beneficiary of the OPCOs and the Former OPCO, the Group is exposed to the business risks and financial risks faced by the OPCOs. Any profit or loss of the OPCOs, their subsidiaries and the Former OPCO will be reflected in the consolidated financial results of the Group.

The PRC government may determine that the Structured Contracts do not comply with applicable PRC laws, rules and regulations

As advised by our PRC legal counsel, the arrangements under the OPCO Structured Contracts are deliberately designed to minimise the potential conflicts with the relevant PRC laws and regulations. Each OPCO Structured Contract is individually binding on the parties. In addition, our PRC legal counsel believes that each OPCO Structured Contract itself does not directly violate relevant PRC mandatory laws and regulations and is unlikely to be deemed invalid under the current applicable PRC laws and regulations.

Despite the fact that there is no indication that the Structured Contracts will be interfered or objected by any PRC regulatory authorities, our PRC legal counsel has advised that there is a possibility that the PRC authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the Structured Contracts comply with the current PRC laws, regulations or rules or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the Structured Contracts. Hence, there is no assurance by the Group that the Structured Contracts could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Structured Contracts do not comply with applicable regulations. If the authorities deny the validity, effectiveness and enforceability of the Structured Contracts, it could have a material adverse impact on the Group's businesses, financial condition and results of operations. On 13 July 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Services issued by the MIIT (the "**MIIT Circular**"), which provides that a domestic company that holds a VATS License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to operate telecommunications business illegally in the PRC. Due to a lack of interpretative materials from the authorities, the Group cannot assure that the MIIT will not consider the structural arrangements as a kind of foreign investment in telecommunication services, in which case the OPCOs or their subsidiaries may be found in violation of the MIIT Circular and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on the operations of the OPCOs and/or their subsidiaries.

In addition, although the Structured Contracts contain dispute resolution clauses in the event that a dispute arises, these provisions may not be enforceable under PRC laws and regulations. For example, an arbitration institution is not entitled to grant such injunction and shall not order each of the OPCOs and their subsidiaries to be liquidated in accordance with the prevailing PRC laws. In addition, temporary remedies granted by overseas courts such as Hong Kong and Bermuda courts may not be recognised or otherwise be enforceable in the PRC.

The possible impact of the PRC Foreign Investment Law on the Structured Contracts and the OPCOs

On 15 March 2019, the Second Session of the 13th National People's Congress of the PRC passed the Foreign Investment Law, which was implemented on 1 January 2020.

The abovementioned law has no significant impact on the Structured Contracts and the business of OPCOs for the time being.

Despite this, our PRC legal counsel advised that according to the Foreign Investment Law of the PRC, "investment in laws, administrative regulations or other methods prescribed by the State Council" is also a "foreign investment". Due to uncertain new laws in the future, administrative regulations or regulations of the State Council on defining "foreign investment", it's not guaranteed whether there will be any significant impact on the future of the Structured Contracts and the business of the OPCOs and their subsidiaries.

If the law, administrative regulations or the State Council stipulate otherwise that "foreign investment" is defined and the authorities deny the legality, validity and enforceability of the Structured Contracts, the Group will lose the control right of the OPCOs, their subsidiaries and the Former OPCO, fail to merge the financial results of the OPCOs, their subsidiaries and the Former OPCO or properly safeguard, determine and control the assets of the OPCOs, their subsidiaries and the Former OPCO, which will have significant adverse impacts on the Group's business, financial condition and results of operations.

The Board will continue to monitor the progress of relevant laws, administrative regulations or the regulations of State Council and discuss with the Company's PRC legal counsel. If the business of the Group or the OPCOs or their subsidiaries is significantly affected, the Company will promptly publish the announcement regarding the relevant significant progress and its impact.

The Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in the OPCOs as direct ownership

The Structured Contracts may not be as effective in providing the WFOE with control over and entitlement to the economic interests in the OPCOs and their subsidiaries as well as providing the Former WFOE with control over and entitlement to the economic interests in the Former OPCO as direct ownership.

If the WFOE had direct ownership of the OPCOs, the WFOE would be able to directly exercise its rights as a shareholder to effect changes in the boards of directors of the OPCOs. However, under the Structured Contracts, the WFOE does not have direct ownership of the OPCOs and can only rely on the performance of the OPCOs and the PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) of the OPCOs of their contractual obligations to exercise effective control. The PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) of the OPCOs may not act in the best interests of the WFOE or may not perform their obligations under the Structured Contracts. The WFOE may replace the PRC Registered Shareholder(s) as registered shareholder of the OPCOs by its other nominees pursuant to the Structured Contracts. However, if any dispute relating to the Structured Contracts remains unresolved, the WFOE will have to enforce its rights under the Structured Contracts and seek to interpret the terms of the Structured Contracts in accordance with the PRC laws and will be subject to uncertainties in the PRC legal system.

The Structured Contracts are governed by the PRC laws. When a dispute arises under any of the Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the parties to the dispute may have to rely on legal remedies under the PRC laws. The Structured Contracts in respect of the WFOE and the OPCOs provide that dispute will be submitted to the China International Economic and Trade Arbitration Commission, Shanghai Sub-commission for arbitration to be conducted in Shanghai. The Former OPCO Structured Contracts provide that dispute will be submitted to the South China International Economic and Trade Arbitration Commission (also known as the Shenzhen Court of International Arbitration) for arbitration in accordance with the arbitration rules thereof. The decision of such arbitration is final and binding on the parties to the dispute.

Since the legal environment in the PRC is different from that in Hong Kong and other jurisdictions, the uncertainties in the PRC legal system could limit the ability of the WFOE to enforce the Structured Contracts. There is no assurance that such arbitration result will be in favour of the WFOE and/or that there will not be any difficulties in enforcing any arbitral awards granted, including specific performance or injunctive relief and claiming damages by the WFOE. As the WFOE may not be able to obtain sufficient remedies in a timely manner, its ability to exert effective control over the OPCOs and their subsidiaries and the conduct of the businesses of the OPCOs and their subsidiaries could be materially and adversely affected, and may disrupt the business of the WFOE and have a material adverse impact on the WFOE's business, prospects and results of operation. The Former WFOE is subject to the same risks as stated above.

The insurance of the Company does not cover the risks relating to the enforcement of the Structured Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard.

Potential conflicts of interest among the WFOE, the OPCOs and the OPCO Shareholders as well as among the Former WFOE, the Former OPCO and the Former OPCO Shareholders may exist

Following the completion of filing procedures of the change in shareholder for the Former OPCO 2021 Equity Transfer on 23 November 2021, the Former OPCO is 100% owned by the Former WFOE. As of the date of this report, the Former OPCO entered the liquidation process.

The Group's control over the OPCOs and the Former OPCO (before the completion of filing procedures of the change in shareholder for the Former OPCO 2021 Equity Transfer) is based on the contractual arrangement under the Structured Contracts. Therefore, conflict of interests of the PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) will adversely affect the interests of the Group. Pursuant to the Shareholder Voting Right Agreements, the PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) of each of the OPCOs shall irrevocably authorise the WFOE, persons designated by the WFOE and the Company as their representative to exercise all of their rights as shareholders of the relevant OPCOs.

Furthermore, Mr. Ke Liming, Pumpkin Films Limited and their respective affiliate(s) entered into a Deed of Non-Competition Undertaking dated 20 January 2021 in favour of the Group pursuant to which each of them undertook that he/she will not (other than through the Group or the OPCOs) directly or indirectly operate, engage in, or have an interest in, invest in or otherwise participate in, through any corporate body, partnership, joint venture or other contractual arrangement (whether or not acting as a principal or agent for profit or other reasons), any business which is similar to or in competition with or may be in competition with any business conducted by the OPCOs or associated companies hereof from time to time or any such business which the OPCOs or its associated companies engage in, invest in or otherwise participate in unless otherwise provided for in the Deed of Non-Competition Undertaking.

As a result, we have minimised the influence of the PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) of each of the OPCOs and the Former OPCO (before the completion of filing procedures of the change in shareholder for the Former OPCO 2021 Equity Transfer) on the business operations of each of the OPCOs and the Former OPCO.

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on the WFOE and the Former WFOE. The WFOE and the Former WFOE may face adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into based on arm's length negotiations.

The operating and financial results of the WFOE and the Former WFOE may be materially and adversely affected if the tax liabilities of each of the OPCOs, the Former OPCO, the WFOE and the Former WFOE increase significantly or if they are required to pay interest on late payments.

Internal control measures

In order to retain effective control over, and to safeguard, the assets of the OPCOs, the Structured Contracts provide that, without the prior written consent of the WFOE, the PRC Registered Shareholder(s) and the PRC Beneficial Owner(s) shall not or shall not procure to at any time sell, transfer, mortgage or dispose of in any manner any assets, legitimate interests in the business or revenue of the OPCOs, or allow any encumbrance thereon of any security interest (other than pursuant to the relevant Equity Pledge Agreements). Under the Management and Operation Agreements, each of the OPCOs will appoint its directors and senior management as recommended by the WFOE. The WFOE shall regularly and at any time review the books and records of each of the OPCOs.

During the Year, each of the OPCOs and the Former OPCO had, at all times, operate all of its businesses in the ordinary and usual course of business and shall maintain its asset value and refrain from any action/omission that may adversely affect its operating status and asset value.

EMOLUMENT POLICY

The emolument policy of employees of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications, experience and competence. The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

CONNECTED TRANSACTION

As of the date of this report, the Group conducted the following transaction which constituted a connected transaction for the Company under the Listing Rules, in respect of which announcements dated 31 December 2020 and 2 May 2021 were issued.

On 31 December 2020, Shenzhen HengTen (as lessee) entered into a property lease agreement (the "**Property Lease Agreement**") with Guangzhou Jiasui Property Co., Ltd.* (廣州市佳穗置業有限公司) ("**Guangzhou Jiasui**") (as lessor) to lease the real estate located at Unit 2501, Guangzhou Evergrande Center, Huangpu Avenue West, Tianhe District, Guangzhou City, Guangdong Province (the "**Leased Property**" or "**Property**") for office use.

In accordance with the HKFRSs, the lease payments under the Property Lease Agreement are capital in nature, so the Leased Property will be recognized as a right-of-use asset of the Group on 1 January 2021 for an amount of RMB14,693,000. The rental payments under the Property Lease Agreement are determined following arm's length negotiation between Shenzhen HengTen and Guangzhou Jiasui taking into account the prevailing market rental for comparable properties in the vicinity of the Leased Property. The rental payments under the Property Lease Agreement are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business. In accordance with HKFRS 16, the Group is required to recognize the Leased Property as right-of-use assets. As a result, the entry into the Property Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules.

As Guangzhou Jiasui is an indirect wholly-owned subsidiary of China Evergrande, Guangzhou Jiasui is a connected person of the Company pursuant to the Listing Rules. Therefore, the transactions contemplated under the Property Lease Agreement constitute a one-off connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the value of the right-of-use asset under the Property Lease Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Lease Agreement are subject to the reporting and announcement requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Due to business needs, Shenzhen HengTen has relocated its office to a new office location and entered into a termination agreement on 2 May 2021 (the "**Agreement for Termination of Housing Lease**"). Please refer to the announcement of the Company dated 2 May 2021 for details.

The aforesaid connected transaction has been reviewed by independent non-executive directors of the Company. The independent non-executive directors of the Company confirmed that the aforesaid connected transaction was on normal commercial terms and was entered into in the ordinary and usual course of business of the Company, and the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Saved as disclosed above and in note 38 to the consolidated financial statements which is fully exempted from Chapter 14A of the Listing Rules, the Company was not aware of any other related party transactions which constitute a connected transaction of the Group, nor are there any connected transactions that need to be disclosed in this report under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As of the date of this report, the Group conducted the following transactions which constituted continuing connected transactions for the Company under the Listing Rules, in respect of which announcements dated 29 December 2017 and 31 December 2020, respectively, were issued.

1. Cooperation agreement between Pumpkin Films and Tencent Video

On 19 April 2021, Beijing Xiaoming (the main operating entity of Pumpkin Films), a subsidiary of the Company, entered into a cooperation agreement with Tencent Technology (Beijing) Company Limited* (騰訊科技(北京)有限公司) ("**Tecent Technology**"). According to the cooperation agreement, Pumpkin Films agreed to cooperate with Tencent Video in depth. Tencent Technology shall have the right to receive a portion of the subscription income of Pumpkin Films from Beijing Xiaoming. The expected annual maximum transaction amounts for the continuing connected transactions under the cooperation agreement for the three financial years ending 31 December 2023 amount to RMB41,000,000, RMB99,500,000 and RMB169,500,000, respectively. Pursuant to Chapter 14A of the Listing Rules, the aforesaid cooperation agreement and the transactions contemplated thereunder (including the annual caps) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the annual review, reporting, announcement and independent shareholder approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 20 April 2021 and the circular dated 2 June 2021. The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive Directors confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant cooperation agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions 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 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction: (i) has not been approved by the board of directors of the Company; (ii) was not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transaction; and (iii) has exceeded the maximum aggregate annual caps in respect of the disclosed continuing connected transactions.

2. Property Service Agreement

On 31 December 2020, Shenzhen HengTen, a wholly-owned subsidiary of the Company, and Jinbi Property Co., Ltd.* (金碧物業有限公司) (formerly known as Guangzhou Jinbi Property Co., Ltd.* (廣州市金碧物業有限公司) and Guangzhou Jinbi Property Group Co., Ltd.* (廣州市金碧物業集團有限公司) ("**Jinbi Property**") entered into a property service agreement (the "**Property Service Agreement**"), pursuant to which Jinbi Property agreed to provide property management services to Shenzhen HengTen for a period of two years and seven months (i.e. from 1 January 2021 to 31 July 2023) in accordance with the terms of the Property Service Agreement. On 31 December 2020, China Evergrande Group ("**China Evergrande**") was still the controlling shareholder of the Company, therefore, the transactions contemplated under the Property Services Agreement constitute continuing connected transactions of the Company and are subject to reporting and announcement requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Pursuant to the Property Service Agreement, Jinbi Property agreed to provide property management services for property management service fees amounting to RMB2,518,521 and other fees and expenses, the total amount of which shall not exceed RMB3,000,000, to be agreed between the Company and Jinbi Property based on specific needs and required scope of services for each project of the Group, while safeguarding the reasonable interests of the Company and ensuring that the terms under the Property Service Agreement are no less favorable than those offered to the Group by any independent third parties. For details, please refer to the announcement of the Company dated 31 December 2020.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transaction was on normal commercial terms and was entered into in the ordinary and usual course of business of the Company, and the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transaction 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 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction: (i) has not been approved by the board of directors of the Company; (ii) was not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transaction; and (iii) has exceeded the maximum aggregate annual caps in respect of the disclosed continuing connected transactions.

Save as disclosed above, no other transactions between connected persons (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements are required to be made by the Company in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and as of the date of this report, none of the Directors and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float throughout the Year.

CHARITABLE DONATIONS

The Group has made a charitable donation in the total amount of RMB400,000 during the Year (for the year ended 31 December 2020: nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

1. Change of Company Name, Change of Company Website and Change of Stock Short Names

After the end of the reporting period, the Company completed the change of company name with the Registrar of Companies in Bermuda and the Companies Registry in Hong Kong. The English name of the Company has been changed to "China Ruyi Holdings Limited" and the secondary name of the Company in Chinese has been changed to "中國儒意控股有限公司". The change with the Registrar of Companies in Bermuda has become effective on 12 January 2022, and the change with the Companies Registry in Hong Kong has become effective on 4 February 2022. In addition, the website of the Company has been changed to "https://www.ryholdings.com" with effect from 21 January 2022; The English stock short name for trading of the Company's shares on the Hong Kong Stock Exchange has been changed to "CHINA RUYI" and the Chinese stock short name has been changed to "中國儒意", with effect from 9:00 a.m. on 11 February 2022.

For further details of the change of company name, the change of company website and the change of stock short names, please refer to the announcement dated 3 December 2021, the circular dated 17 December 2021, the poll results of the special general meeting dated 10 January 2022, and the announcements of the Company dated 21 January 2022 and 8 February 2022.

2. Issue of New Shares under General Mandate and Connected Transaction Involving Issue of New Shares to Substantial Shareholder under Specific Mandate (the "Share Subscriptions")

On 25 January 2022, the Company entered into share subscription agreements with Water Lily Investment Limited ("**Water Lily**") and Mr. Liu Xueheng (劉學恒) ("**Mr. Liu**"), pursuant to which the Company has agreed to allot and issue, and Water Lily and Mr. Liu has each agreed to subscribe at HK$2.50 per subscription share for 64,000,000 and 56,000,000 new shares of the Company (the "**Subscribed Shares**"), respectively, on the terms of the share subscription agreements. The independent shareholders of the Company has approved, among others, the Water Lily Share Subscription Agreement and the transactions contemplated thereunder at the special general meeting convened on 30 March 2022. In respect of the Share Subscription by Mr. Liu, the Subscribed Shares will be issued under the general mandate.

For further details of the aforesaid Share Subscriptions, please refer to the announcement dated 25 January 2022, the circular dated 14 March 2022, and the poll results of the special general meeting of the Company dated 30 March 2022.

3. Continuing Connected Transactions in Relation to the Cooperation with Shenzhen Tencent Computer Systems Company Limited in the Provision of Game Technology and Channel Promotion Services

On 10 January 2022, Jingxiu Network, a variable interests entity controlled by the Company, entered into a continuing connected transaction agreement (the "**CCT Agreement**") with Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司) ("**Tencent Computer**"), a subsidiary of Tencent Holdings, for a term of three years, pursuant to which the parties agreed that Tencent Computer shall provide technical services and channel promotion services for the Group's game products in Mainland China in exchange for the service fees payable by Jingxiu Network to Tencent Computer (the "**Game Continuing Connected Transactions**"). The Company expects to convene a special general meeting in April 2022 to seek approval from the independent shareholders on the CCT Agreement and the maximum annual transaction amount of the transactions contemplated thereunder. For further details of the aforesaid Game Continuing Connected Transactions, please refer to the voluntary announcement dated 3 January 2022 and the announcement of the Company dated 10 January 2022.

FIVE YEARS FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 168 of this report.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to such company's constitutional documents. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights (including entitlements to any relief of taxation) in relation to the shares of the Company, they are advised to consult their professional advisers.

AUDITORS

The consolidated financial statements for the Year were audited by PricewaterhouseCoopers ("**PwC**"). A resolution will be submitted to the forthcoming AGM of the Company to re-appoint PwC as auditor of the Company.

Approved by the Board on 31 March 2022
For and on behalf of the Board

Ke Liming
Chairman

Hong Kong, 31 March 2022

The biographical details of Directors and senior management as at 31 March 2022, being the date of this report, are set out below:

EXECUTIVE DIRECTORS

Mr. Ke Liming, aged 38, is an executive director and the chairman of the Board of the Company. Currently, he is also the chief executive officer of Shanghai Ruyi Movie Television Production Co., Ltd.* (上海儒意影視製作有限公司) and the chief executive officer of Pumpkin Films Limited, and previously served as a senior analyst at a hedge fund management company. He graduated from Griffith University, Australia, with a bachelor's degree in risk management in 2005 and a master's degree in monetary banking in 2006. Mr. Ke has led and invested as the investor and producer in films including "Hi, Mom《你好李煥英》", "A Little Red Flower《送你一朵小紅花》", "Animal World《動物世界》", "City of Rock《縫紉機樂隊》", "Never Gone《致青春 • 原來你還在這裏》", "So Young《致我們終將逝去的青春》", "Old Boys: The Way of the Dragon《老男孩—猛龍過江》", as well as television shows including "Doctor of Traditional Chinese Medicine《老中醫》", "The Legendary Tavern《老酒館》", "Frontier of Love《愛情的邊疆》", "All Quiet in Peking《北平無戰事》", "Nirvana in Fire《琊琊榜》", "Legend of MiYue《羋月傳》" and "We Fall in Love《咱們相愛吧》".

Ms. Chen Xi, aged 40, is a veteran producer with years of investment experience in the film industry, and is currently the president of the Group's Ruyi Films (儒意影業). Ms. Chen graduated from the Acting Department of The Central Academy of Drama (中央戲劇學院表現系表現專業) with a Bachelor of Arts degree. As a producer, she has invested in a number of successful films with her representative works including "Lost in Thailand《人再囧途之泰囧》", "Jian Bing Man《煎餅俠》", "Detective Chinatown 1《唐人街探案一》", "City of Rock《縫紉機樂隊》", "Animal World《動物世界》", "A Little Red Flower《送你一朵小紅花》", "The Reunions《吉祥如意》", and "Hi, Mom《你好李煥英》".

Mr. Wan Chao, aged 54, has over 30 years of extensive experience in management in the architectural field. Mr. Wan joined Tencent in 2010. He is currently the Vice President of Tencent Cloud, responsible for the management of smart construction of Tencent Cloud. Mr. Wan graduated from Jiangxi University of Engineering in 1988 with a bachelor's degree in industrial and structure of civil construction.

Mr. Zhang Qiang, aged 57, is a renowned producer in the film and television field and is currently the Chief Content Officer (首席內容官) of the Group's Pumpkin Films (南瓜電影). Mr. Zhang graduated from Peking University with a Bachelor of Arts degree in Chinese Literature and later received a master's degree in film aesthetics from The Beijing Film Academy. He was previously the chairman of the board and general manager of Beijing Forbidden City Xindu TV Media Co., Ltd.* (北京紫禁城信都電視文化有限公司), the Deputy Editor-in-Chief (副總編輯) of Beijing Television, the deputy managing director (董事副總經理) of China Film Co., Ltd.* (中國電影股份有限公司), the executive director and chief executive officer of Alibaba Pictures Group Limited (the shares of which listed on the Hong Kong Stock Exchange; stock code: 1060), with over 25 years of experience in the film and television media industry in China. Mr. Zhang's representative masterpieces include "American Dreams in China《中國合夥人》", "So Young《致我們終將逝去的青春》", "Wolf Totem《狼圖騰》".

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David ("**Mr. Chau**"), aged 58, has over 25 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms. Mr. Chau was a key member who found their corporate finance division and held the position as their Head of Merger and Acquisition and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants in England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a Senior Fellow and a director of the Hong Kong Securities and Investment Institute; he is the chairman of China Strategy Committee and the Ex-Chairman of Corporate Outreach Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("**PYNEH**") and a trustee of the PYNEH Charitable Trust.

Mr. Chau is currently an independent non-executive director and audit committee chairman of BC Technology Group Limited (Stock Code: 863), China Evergrande Group (Stock Code: 3333), China Evergrande New Energy Vehicle Group Limited (Stock Code: 708), the Company (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Lee & Man Paper Manufacturing Limited (Stock Code: 2314) and Man Wah Holdings Limited (Stock Code: 1999). All the aforesaid companies are listed on the Hong Kong Stock Exchange.

Mr. Nie Zhixin, aged 59, is the standing vice president of the Henan Chamber of Commerce in the Guangdong province, vice president of the Tianhe Road Chamber of Commerce in Guangzhou, vice president of the Chain-operations Management Association in Guangzhou and general manager of Gladith Fashion Co., Ltd.* in Guangzhou. In 1990, Mr. Nie Zhixin established the "GLADITH•葛來娣" fashion brand in Guangzhou which has now become one of the well-known women's fashion brands in the PRC.

Mr. Chen Haiquan, aged 52, is a doctorate holder from the Chuo University, Japan, a professor and doctoral supervisor at the Jinan University. He also serves as the director of the Guangdong Institute of Asia-pacific E-commerce, dean of the Guangdong Research Institute of Modern Logistics, executive president and secretary-general of the Association of Logistics and Supply Chain in the Guangdong province, vice president of the Association of Business and Economics in the Guangdong province and vice secretary-general of Chinese Association of Market Development. Mr. Chen served as an independent director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (formerly known as Guangzhou Friendship Group Co., Ltd.) (listed on the main board of Shenzhen Stock Exchange Limited, stock code: 00987), Guangzhou Jiacheng International Logistics Co., Ltd. (listed on the main board of Shanghai Stock Exchange Limited, stock code: 603535) and MOSO Power Technology Co., Ltd. (listed on the main board of Shenzhen Stock Exchange Limited, stock code: 002660). He is currently the independent non-executive director of the Company, and an external director of Guangzhou Business Investment Holding Group Co., Ltd.*. Mr. Chen graduated from the graduate school of Daito Bunka University, Japan and the graduate school of Chuo University, Japan and obtained a master's degree in economics and a doctorate in comprehensive policy, respectively.

Professor Shi Zhuomin, aged 50, has obtained a doctoral degree in management from Sun Yat-sen University and a postdoctoral degree from Hitotsubashi University in Japan and is a visiting scholar under the China-US Fulbright Program. Professor Shi studied at and visited The Chinese University of Hong Kong, Harvard Business School and the University of Missouri and visited various countries and regions including the United States, Japan, Germany, Brazil and Hong Kong for academic exchange. She also held lectures on "Marketing Practice in China" and "Chinese Luxury Consumption" for students from Europe, the United States and Japan studying in China and held lectures on "Understanding Chinese Consumers" at certain universities in the United States. Professor Shi currently focuses on the research of consumption behaviour and psychology, cross-cultural consumption behaviour comparison research and international marketing. Professor Shi is currently a professor and doctoral supervisor in the management school at Sun Yat-sen University. She is also a council member of China Marketing Association of University, a provincial investigation and consulting expert of Guangdong Province and an external academic advisor of the MScMIB program of Lingnan University in Hong Kong.

SENIOR MANAGEMENT

Ms. Chan Oi Ling, Maria Olimpia, aged 77, is the founder of the Group. Ms. Chan was the chairman of the Company up to 7 April 2008. After resignation from the Board, Ms. Chan remains as a director of certain subsidiaries of the Company so as to help her to give advice and pass on her valuable experience in the manufacturing and sales of goods. Ms. Chan has over 41 years of experience in the industry of manufacturing and sale of accessories for photographic products.

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the smooth and effective operation of the Group and the safeguarding of the interests of the shareholders and other stakeholders of the Company. The Company has put in place internal policies to ensure the compliance and has adopted and complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules during the Year except for the following deviation from the Code provisions:

- Code provision A.2.1 (now rearranged as C.2.1) stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Year, the Company has no such title as chief executive officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

- Code provision E.1.2 (now rearranged as F.2.2) stipulates that the chairman of the Board shall attend the annual general meeting of the Company. Due to the COVID-19 travel restrictions imposed this year and the need to attend other business matters that had been arranged in advance, Mr. Xu Wen, who had served as a director of the Company during the year ended 31 December 2021, did not attend the Company's annual general meeting held on 28 June 2021.

BOARD OF DIRECTORS

The Board determines the overall strategies of the Group, monitors and controls operating and financial performance, analyses and formulates strategies to manage risks in pursuit of the Group's strategic objectives. The Board also decides on matters such as annual and interim results, dividend policy, director appointments, and significant changes in accounting policy, material contracts and major investments. The Board has delegated the authority and responsibility of overseeing the Group's day-to-day operations to management executives.

Composition of the Board

During the Year and up to the date of this report, the Board comprises the following executive Directors and independent non-executive Directors.

Executive Directors:

Mr. Ke Liming *(Chairman of the Board; appointed with effect on 11 August 2021)*
Mr. Xu Wen *(former Chairman of the Board; resignation with effect from 14 December 2021)*
Ms. Chen Xi *(appointed with effect from 14 December 2021)*
Mr. Wan Chao
Mr. Zhang Qiang *(appointed with effect from 14 December 2021)*
Mr. Chen Cong *(appointed with effect from 20 January 2021, and resignation with effect from 14 December 2021)*
Mr. Huang Xianggui *(resignation with effect from 11 August 2021)*

Independent Non-executive Directors:

Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin

Biographical details of current members of the Board are set out on page 43 to page 45 of this report.

During the Year, the Company has at all times met the requirements of Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Each of the executive Directors has entered into a service contract with the Company for a period of three years. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years. The Directors are subject to retirement by rotation pursuant to the Bye-laws of the Company. In accordance with the Bye-laws, 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 a multiple of three, 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 at least once every three years.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

None of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Board Diversity

The Board has established a set of board diversity policy setting out the approach to achieve diversity on the Board with the aims of enhancing Board effectiveness and corporate governance as well as achieving the Group's business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members who match the requirement of the business of the Company.

Roles and Duties

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

The Board has the following duties and responsibilities in respect of the corporate governance functions of the Company:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulator requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosures in the Corporate Governance Report in the annual report of the Company.

During the Year and up to the date of this report, the Board has performed the corporate governance duties.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications. Four Board meetings were convened by the Company during the Year.

The Company has set up the audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**") (as detailed in the following section) in respect of the Board.

The attendance of individual Directors at the Board meetings, the meetings of the three committees and general meetings held during the Year is set out below:

	No. of meetings attended/held				
	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Ke Liming *(Chairman; appointed with effect from 11 August 2021)*	4/7	N/A	1/2	1/2	0/3
Mr. Xu Wen *(the former Chairman; whose resignation took effect from 14 December 2021)*	6/7	N/A	1/2	1/2	0/3
Ms. Chen Xi *(appointed with effect from 14 December 2021)*	0/7	N/A	N/A	N/A	0/3
Mr. Wan Chao	7/7	N/A	N/A	N/A	0/3
Mr. Zhang Qiang *(appointed with effect from 14 December 2021)*	0/7	N/A	N/A	N/A	0/3
Mr. Chen Cong *(appointed with effect from 20 January 2021, whose resignation took effect from 14 December 2021)*	7/7	N/A	N/A	N/A	0/3
Mr. Huang Xianggui *(whose resignation took effect from 11 August 2021)*	3/7	N/A	N/A	N/A	0/3
Independent non-executive Directors					
Mr. Chau Shing Yim, David	7/7	2/2	1/2	N/A	3/3
Mr. Nie Zhixin	7/7	2/2	2/2	2/2	0/3
Mr. Chen Haiquan	7/7	2/2	N/A	2/2	0/3
Professor Shi Zhuomin	7/7	2/2	N/A	N/A	0/3

Directors' Training

All Directors have complied with the Code provisions in relation to continuous professional development. This has involved various forms of activities including attending a presentation given by an external professional party in respect of the new regime on disclosure, reading materials relevant to corporate governance and other regulatory requirements.

The Company has an induction policy for every new member of the Board. On appointment, the new member will receive an induction which includes meetings with members of the Board introducing the Group's business segments in which the Group operates, the roles and responsibilities as a Director and the requirements under the Listing Rules in respect of the Code provisions in relation to continuous professional development.

The Company regularly updates Directors on the developments in respect of the Listing Rules and applicable regulatory requirements, to enhance their awareness of good corporate governance practices. During the Year, all of the Directors have attended training sessions. The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

AUDIT COMMITTEE

As at 31 December 2021, the Audit Committee comprised three members, namely, Mr. Chau Shing Yim, David, chairman of the Audit Committee, Mr. Nie Zhixin and Mr. Chen Haiquan all being independent non-executive Directors. The Audit Committee adopted the written terms of reference which were basically the same as those set forth in code provision C.3.3 (now rearranged as D.3.3) of the Code. The Audit Committee is principally responsible for reviewing the effectiveness of the Company's internal audit function, reviewing and supervising the Group's financial reporting process, risk management and internal control system and providing advice and recommendations to the Board.

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2021.

During the Year, two meetings have been held by the Audit Committee to approve the audited financial statements for the Year and to review interim financial statements (including accounting policies and practices adopted) of the Group for the Year, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 49 of this report.

On 31 March 2021, the Audit Committee met to review the risk management and internal control systems of the Group, the financial statements and other reports for the Year and discuss any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval. The Audit Committee recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2022 at the annual general meeting of the Company.

REMUNERATION COMMITTEE

The majority of the members of the Remuneration Committee were independent non-executive Directors. As at 31 December 2021, the members of the Remuneration Committee included Mr. Chau Shing Yim, David, the chairman of the Remuneration Committee, Mr. Nie Zhixin and Mr. Ke Liming. The Remuneration Committee adopted the written terms of reference which were basically the same as those set forth in code provision B.1.2 (now rearranged as E.1.2) of the Code. The Remuneration Committee is principally responsible for assessing performance of executive Directors, approving executive Directors' service contracts, reviewing and determining, with delegated responsibility, the remuneration policy and packages of the individual executive Directors and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss on termination of their office or appointment. No Director is involved in deciding his/her own remuneration.

During the Year, one meeting has been held by the Remuneration Committee. The Remuneration Committee had discussed and reviewed the remuneration packages for all Directors and senior management. The record of attendance of members at such meetings is set out on page 49 of this report.

NOMINATION COMMITTEE

The majority of the members of the Nomination Committee were independent non-executive Directors. As at 31 December 2021, the members of the Nomination Committee included Mr. Ke Liming, the chairman of the Nomination Committee, Mr. Nie Zhixin and Mr. Chen Haiquan. The Nomination Committee's terms of reference are basically the same as those set forth in code provision A.5.2 (now rearranged as B.3.1) of the Code.

The Nomination Committee is principally responsible for reviewing the structure, size and composition of the Board, and selecting and making recommendations to the Board on the appointment of Directors and senior management.

The nomination policy of Directors sets as one of its objectives to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. For a summary of the Company's Board diversity policy, please refer to the relevant paragraph in the "Board Diversity" section of this Corporate Governance Report.

Pursuant to these policies, in assessing and selecting candidates, the Nomination Committee considers various factors when identifies or selects candidates, such as integrity, age, gender, skills, knowledge, experience, expertise, professional and educational qualifications, background, the board's composition and diversity, availability of service to the Company, expected contribution, independence, conflicts of interest, and any other relevant factors.

During the Year, one meeting has been held by the Nomination Committee to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The record of attendance of members at such meetings is set out on page 49 of this report.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the Year.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

The Directors are responsible for ensuring the maintenance of proper accounting records of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The reporting responsibilities of the external auditor, PricewaterhouseCoopers are set out in the Independent Auditor's Report on page 60 to page 70 of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Duties of the Board and the Management

The Board is responsible for the risk management and internal control system and has the responsibility to review the effectiveness of the system. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving strategic objectives, and monitoring the establishment and maintenance by the management of appropriate and effective risk management and internal control systems. The management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system.

Risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.

Risk Management

1. Enhancement in risk management system and structure

Based on the latest group organizational structure and the work completed in the prior year, the Group has continued to improve the risk management system structure at the group level to guide the risk assessment activities and ongoing risk monitoring activities for various departments by way of the following:

✓ **Refined and reiterated the risk management organizational structure** — An organizational structure with the Audit Committee as the decision-maker and the leading groups and management of various business segments of the Group as the implementation unit has been established to divide risk management responsibilities and clarify the direct management responsibilities for risk management and the risk information reporting line. Among which, the Board and the Audit Committee supervise, identify and evaluate company-level risks from top to bottom, while the leadership team of the business segment and the management of each segment identify, manage and report risks from the bottom up.

The main roles and responsibilities of the risk management system are as follows:

Roles	**Primary Duties**
Board (Decision-maker)	• Assess and determine the nature of the risk and the degree of acceptance to ensure the achievement of strategic objectives • Ensure the establishment and maintenance of an effective risk management and internal control system • Supervise management for the design, implementation and monitoring of the risk management and internal control system
Audit Committee (Decision-maker)	• Review the structure and responsibilities of risk management and continuously monitor its effectiveness, review the basic risk management system • Supervise the management for the design, implementation and monitoring of the risk management and internal control system • Monitor significant control failures or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition

Roles	Primary Duties
Senior management of the Group (Leadership)	• Responsible for the development of risk management system, regularly review the Company's risk management policies and system • Design, implement and supervise the risk management work of the Group, report on risk management to the Audit Committee on a regular basis, and report and disclose significant risk information to the Audit Committee • Provide the Audit Committee with the confirmation of the effectiveness of the risk management system
Management at the headquarters of the Group and management of various departments (Implementer)	• Regularly update the list of risks involved in the relevant activities, and carry out risk identification and evaluation and other related work • Develop and implement a risk response program for the relevant activities • Responsible for the implementation of specific risk management measures • Monitor all kinds of risks involved in the relevant activities, timely report to the risk management coordinator and risk management leadership on risk information • Conduct other relevant work on risk management

✓ **Updated the risk assessment criteria** — During the Year, in response to the changes in internal and external environment, taking into account the business nature, operation characteristics and strategic objectives of the Group and each segment and the risk appetite of the management, the Group updated the risk assessment standards applicable to each business segment including the consideration of qualitative and quantitative dimensions (strategy, safety production, finance, operations, regulations, reputation, personnel, etc.), and carried out the assessment on the risks that are most likely to affect the achievement of the corporate objectives by using commonly recognized assessment methods and assessment criteria.

✓ **Refined and standardized the risk management workflow** — Based on the business operations, the Group continuously monitors and manages risks through the risk management workflow covering major steps including identification, assessment, response, monitoring and reporting (please refer to figure 1 "Risk management workflow" below for details). The main elements include, for the purposes of business objectives of the Group and various business segments, identifying the risk factors that affect the achievement of business objectives, assessing the likelihood and potential impacts of each specific risk; adopting measures to deal with the risks identified; and continuously monitoring the changes in risks and timely adjusting countermeasures. During the Year, the Group reviewed, adjusted and improved the risk management workflow, improving the efficiency and standardization of its operation.

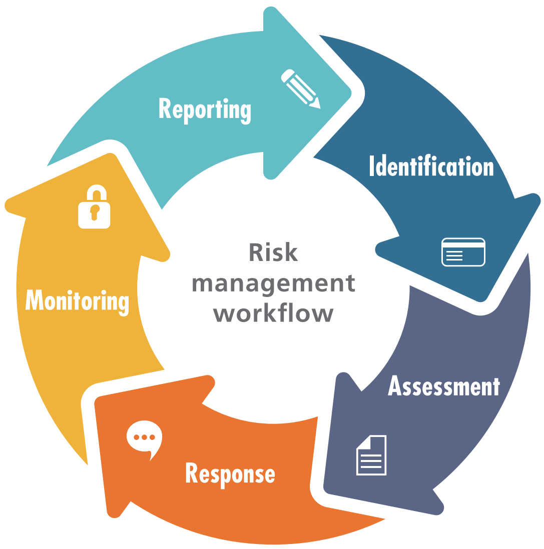

Figure 1: Risk management workflow

✓ **Refined and reiterated the risk management review frequency** — The frequency of risk management assessment and reporting of the Group was reiterated (to be at least once a year).

2. Risk assessment work of the Group for 2021

In addition to the aforesaid risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance of the risk management system in 2021, details of which include the following:

- ***Advance the implementation of material risk assessment results of the Group for the prior year***

  During the Year, the management of the Group followed up on the implementation of the measures in respect of the areas for improvement in management and control identified in the risk assessment for the prior year, establishing a continuous management and control cycle model of "Risk identification — Implementation of risk management and control — review and tracking — Continuous optimization" in order to ensure that the material risk management gaps have been effectively improved and to continuously improve the Group's ability to prevent and cope with risks (for details, please refer to Figure 2: Risk assessment, management and control model).

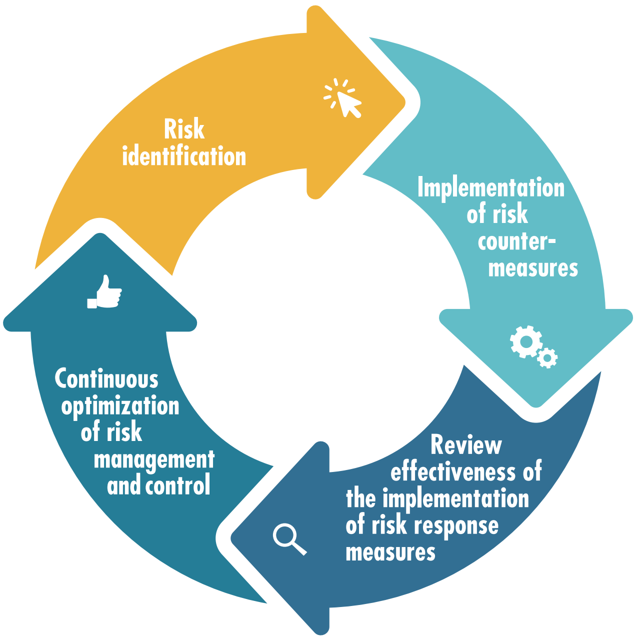

Figure 2: Risk assessment, management and control model

- ***Conduct a comprehensive review of risk management system of the Group for the year of 2021***

  The management of the Group updated the risk assessment standards and the risk database based on the changes in the external market environment and the internal operating environment, the progress of business and risk appetite. In addition, it adopted a systematic risk assessment method to review the changes in the nature and degree of the material risks that its business segments face, identified the material risks faced by its business segments, analyzed the status of risk management and control and countermeasures to be adopted and key risk management strategies, and reported the risk assessment results to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and degree of material risks on behalf of the Board, and completed the review of the risk management systems and considered these systems effective and sufficient.

Internal Control

1. Enhancement of the internal control framework

The Group has established its own internal control system by making reference to the internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to figure 3: COSO Internal Control and Management Framework). The Group's internal control system consists of five interdependent elements, which coordinate and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.

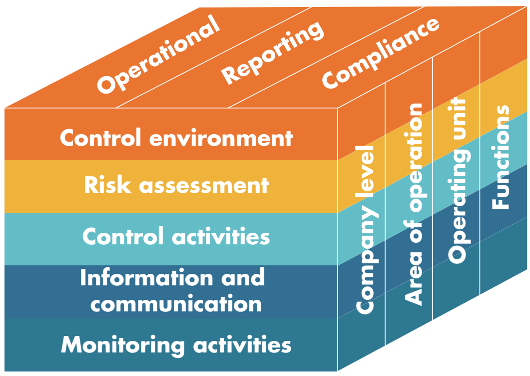

Figure 3: COSO Internal Control and Management Framework

The internal control system of the Group, as an integral part of its risk management, is established based on the risks faced by the Group. The management at the headquarters of the Group, its business segments and departments has designed and implemented a series of policies and procedures in view of the process relating to finance, operation and compliance, and monitors the implementation of these policies and procedures and their effectiveness.

2. Internal Audit

The Group has in place internal audit functions. Management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the internal audit review, which are followed up on a regular basis to ensure the timely implementation of the relevant measures for improvement.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

During the Year, the Board, through the Audit Committee, conducted a comprehensive review of the risk management and internal control systems of the Group for the financial year of 2021, which mainly involved the continuous advancement of risk assessment and the major assessment of the results of the internal control review for the prior year as well as the risk assessment and internal control review for key business process for the Year that covered the Group and its major business segments. All important aspects of control, including financial, operation and compliance areas, were reviewed, and the nature and impact of major risks as well as the Group's ability to cope with the changes in its business and external environment, were reviewed, and these systems were considered effective and adequate.

The Audit Committee has reviewed the resources, staff qualifications and experience of the Company on accounting, internal audit and financial reporting functions as well as its staff training programs and budget and confirmed the adequacy of the same.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has put in place a framework for the handling and disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls, including but not limited to establishing controls for monitoring business and corporate developments and events so that any potential inside information is promptly identified and escalated, restricting access to inside information to a limited number of employees on a need-to-know basis, and ensuring employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality, for the handling and dissemination of inside information in a timely manner so as to allow all shareholders and stakeholders of the Group to assess the latest position of the Group.

AUDITOR'S REMUNERATION

For the Year, the emolument to the external auditor of the Company for the annual audit of financial statements amounted to approximately RMB3,667,000.

For the Year, the emolument of the external auditor of the Company for providing non-audit services amounted to approximately RMB929,000, for providing consultation and advisory service regarding corporate governance reporting and environmental, social and governance reporting.

AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the Year, the Company did not amend its Bye-laws.

SHAREHOLDERS' RIGHTS

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require a special general meeting ("**SGM**") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. Eligible Shareholders who wish to convene a SGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary. If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such SGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

Shareholder who wishes to propose a person other than a Director of the Company for election as a Director must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, or the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited (the "**Hong Kong Branch Share Registrar**"), at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the Shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (not the person to be nominated). The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director. The period for lodgment of the Notice will commence on the day after the dispatch of the notice of the general meeting held for the election of Directors and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Hong Kong Branch Share Registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the company secretary will ask the nomination committee of the Company and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

The right and procedures to convene a general meeting and to demand a poll on resolutions at general meetings by Shareholders are set out in the Company's amended and restated Bye-laws headed "General Meetings", "Notice of General Meetings", "Proceedings At General Meetings" and "Voting".

DISCLAIMERS

The contents of the section headed "Shareholders' Rights" and "Right to Nominate Directors for Election at General Meetings" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the Shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the Shareholders in reliance upon any contents of the section headed "Shareholders' Rights" and "Right to Nominate Directors for Election at General Meetings".

INVESTOR RELATIONS

The Company emphasises communication with investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of investors. The Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone: (852) 2287 9208 / (852) 2287 9218 / (852) 2287 9207
By post: 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of China Ruyi Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Ruyi Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 71 to 167, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

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.

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.

Key audit matters identified in our audit are summarised as follows:

- Purchase price allocation for acquisition of Virtual Cinema Entertainment Limited ("Virtual Cinema") and impairment assessment of goodwill and operating license with indefinite useful life
- Valuation of contingent consideration payable of acquisition of Virtual Cinema
- Impairment of film and television programmes rights
- Assessment of the expected credit losses of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for acquisition of Virtual Cinema and impairment assessment of goodwill and operating license with indefinite useful life Refer to Notes 4(a), 8 and 35 to the consolidated financial statements. The Group completed the acquisition of 100% equity interests in Virtual Cinema at a consideration of RMB5,683,735,000 on 20 January 2021 ("acquisition date"). The Group determined the fair values of identified assets acquired and liabilities assumed of Virtual Cinema as at the acquisition date with the assistance of an independent external valuer. The purchase price was allocated to the identified assets and liabilities assumed and the Group recognised identifiable net assets of RMB1,403,159,000, goodwill of RMB4,214,619,000 and operating license with indefinite useful life of RM674,557,000 at the acquisition date;	We obtained an understanding of management's internal control and assessed the purchase price allocation for acquisition of Virtual Cinema, the impairment assessment of goodwill and operating license with indefinitely useful life and the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity, subjectivity and susceptibility to management bias; We evaluated the independent external valuer's competence, capabilities and objectivity;

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for acquisition of Virtual Cinema and impairment assessment of goodwill and operating license with indefinite useful life (Continued) Significant judgements from management are required in the estimation of the purchase price allocation, such as the revenue growth rates, discount rates, terminal growth rates and future cash inflows to be generated. Subsequent to the acquisition, the Group is required to, at least annually, test goodwill and operating license with indefinite useful life for impairment. Management performs the impairment assessment, with the assistance of an independent external valuer, and determines the recoverable amount of Virtual Cinema by using value-in-use method for discounted cash flow. The assessment involved significant management judgements and estimates in the determination of valuation model and the application of assumptions in the model, including forecasted revenue amounts, terminal growth rates, number of subscribers growth rates, turnover per subscriber growth rates and discount rates used in the projection period. Based on the result of the impairment assessment, no impairment was recognised during the year. We focused on auditing the valuation of purchase price allocation of Virtual Cinema and impairment assessment of goodwill and operating license with indefinite useful life because the fair value of purchase price allocations of Virtual Cinema and estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risks in relation to the purchase price allocation of Virtual Cinema and impairment assessment of goodwill and operating license with indefinite useful life are considered significant due to the complexity of the model and subjectivity of significant assumptions used.	We assessed the model used and challenged the reasonableness of key assumptions used in the valuation of purchase price allocation and the impairment assessment of goodwill and operating license with indefinite useful life with the involvement of our internal valuation expert, such as forecasted revenue amounts, terminal growth rates, number of subscribers growth rates, turnover per subscriber growth rates and discount rates, by comparing these assumptions against approved budget, historical performance, relevant market data and industry research; and We performed sensitivity analyses on the key assumptions to evaluate the potential impacts on the recoverable amount of goodwill and operating license with indefinitely useful life, and considering whether there were any indicators of management bias in the assumption adopted. Based on the above procedures performed, we considered that the key assumptions and estimates adopted by management in valuation of purchase price allocation and the impairment assessment on goodwill and operating license with indefinite useful life were supportable by available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of contingent consideration payable of acquisition of Virtual Cinema Refer to Notes 4(b) and 35 to the consolidated financial statements. As at 31 December 2021, the Group had contingent consideration payables of RMB2,060,578,000, which are due to be payable in 2022 to 2024. According to the terms of the sale and purchase agreement of Virtual Cinema which requires an additional contingent consideration, by way of warrants of the Group, payable to the seller if post-acquisition performance of Virtual Cinema and its subsidiaries for the year ended 31 December 2021, 2022 and 2023 exceeds an agreed level. Management engaged an independent external valuer to assist in determining the fair value of the contingent consideration payables at acquisition date and year end date. Base on the terms of the sales and purchase agreement, the estimation of post-acquisition performance of Virtual Cinema and its subsidiaries and stock price volatility of the Group, management provided approximately RMB2,060,578,000 for contingent consideration payable as at 31 December 2021 and a fair value gain of approximately RMB362,172,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2021. We focused on this area due to the magnitude of the contingent consideration payables and valuation involved estimation of the post-acquisition performance of Virtual Cinema and its subsidiaries and stock price volatility of the Group which are subject to high degree of estimation uncertainty.	We obtained an understanding of management's internal control and valuation of contingent consideration payable and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity, subjectivity and susceptibility to management bias; We inspected the key terms of the sales and purchase agreement and evaluated management's accounting treatment for the valuation of contingent consideration with reference to the terms set out in the agreement and requirements of the prevailing accounting standards; We evaluated the independent external valuer's competence, capabilities and objectivity; and We assessed the methodology used and challenged the reasonableness of key assumptions used with the involvement of our internal valuation expert, such as the post-acquisition performance and stock price volatility, by comparing these assumptions against historical performance, relevant market data and industry research. Based on the above procedures performed, we considered that the estimates adopted by management in the valuation of contingent consideration payables were supportable by available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of film and television programmes rights Refer to Notes 4(c) and 15 to the consolidated financial statements. As at 31 December 2021, the carrying amount of film and television programmes rights completed, film and television programmes rights under production and licensed film and television programmes rights amounted to approximately RMB2,581,309,000. Film and television programmes rights completed and licensed film and television programmes rights are tested for impairment when impairment indicator existed, while film and television programmes rights under production are tested for impairment annually.	We obtained an understanding of management's control and impairment of film and television programmes rights and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity, subjectivity and susceptibility to management bias; We discussed with management to understand the reasonableness of the source of information used by management in identifying impairment indicators identified by management, including management's assessment on current market condition, political environment and latest regulatory changes based on public available information and our industry knowledge; We discussed with management, on a sample basis, to evaluate the progress of production of the film and television programmes rights and the distribution plan for completed titles;

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of film and television programmes rights (Continued) *Film and television programmes rights completed* In determining whether there is any impairment indicator on film and television programmes rights completed, the Group considered factors such as current market condition, political environment, latest regulatory changes, and whether there is any adverse change on the expected performance and distribution plan. Based on management's assessment, no impairment indicator was identified for the film and television programmes rights completed during the year. *Licensed film and television programmes rights* In determining whether there is any impairment indicator on the licensed film and television programmes rights, management considered them together with the Group's online streaming platform where the licensed film and television programmes rights are available for subscription on its online streaming platform. Based on management's assessment, no impairment indicator has been identified for the licensed film and television programmes rights during the year.	We compared the contractual commitments of respective film and television programmes rights on a sample basis with, and discussed with management to evaluate the production and marketing plan; We evaluated the independent external valuer's competence, capabilities and objectivity; We discussed with management and evaluated the reasonableness of management's estimation on the expected revenue to be generated by the film rights based on historical data and our knowledge on the market and industry. We compared the expected revenue against the historical box office of movies of similar genres, directors and key actors to assess the reasonableness of the expected revenue adopted by management; and We challenged the reasonableness of key assumptions used with the involvement of our internal valuation expert on the value-in-use model, such as the discount rate and terminal growth rate, by comparing these assumptions against historical performance, relevant market data and industry research, where applicable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of film and television programmes rights (Continued) *Film and television rights under production* Management performed annual impairment assessment on film and television programmes rights under production by determining the recoverable amount through value-in-use method. Based on management's assessment, no impairment was recognised for the film and television programmes rights under production during the year. The Group engaged an external valuer to support the determination of the recoverable amount based on the value-in-use method, which was calculated based on the present value of future cash flows directly generated by the completed film rights and film production in progress. Significant judgements from management are required in the estimation of future cash inflows to be generated, which included revenue streams from different distribution channels, the correlation between different types of revenue stream and box office performance and the duration of various revenue streams. We focused on this area due to the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of film rights and television rights is considered significant due to the complexity of the model and subjectivity of significant assumptions used.	Based on the above procedures performed, we found the judgements and assumptions made by management in relation to the impairment assessment of film and television programmes rights to be supportable by the available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade receivables Refer to Notes 4(d) and 16 to the consolidated financial statements. As at 31 December 2021, the carrying amount of trade receivables amounted to approximately RMB1,061,197,000 (after provision of approximately RMB13,220,000). The Group applies HKFRS 9 simplified approach measure the lifetime expected credit losses ("ECL") allowance for all trade receivables with which have been assessed for impairment. Management identified trade receivables with impairment indicators with reference to their understanding about the customers and made impairment provision of these trade receivables accordingly. Management grouped the remaining trade receivables with similar credit risk characteristics and ageing profile, and estimated ECL rates for different groups and adjusted to reflect the current and forward-looking information on macroeconomic factors that are considered relevant to determine the ability of customers to settled the receivables in the future. We focused on this area due to the significance of the trade receivable balances and the complexity of model and subjectivity of significant assumptions and data used in the estimation of expected credit losses.	We obtained an understanding of management's internal control and assessment process of the ECL of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity of models and subjectivity of significant assumptions and data used; We performed retrospective review by comparing previous estimates to actual outcome. We evaluated the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process; We assessed the appropriateness of the grouping of trade receivables based on shared credit risk characteristics and ageing periods and the credit loss provisioning methodology adopted by management; We tested, on a sample basis, the accuracy of ageing profile of trade receivables prepared by management by checking the relevant sales invoices or other supporting documents; We challenged management's estimation of the risk of default and ECL rate by checking to the debtors' settlement records and collaborated management's explanations with publicly available information and supporting evidence; and We evaluated the appropriateness of the forward-looking information with reference to our industry knowledge and relevant published macroeconomic data. Based on the above procedures performed, we considered the model, significant assumptions and data applied by management in the assessment of the ECL of trade receivables were supported by available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in China Ruyi Holdings Limited 2021 Annual Report (the "annual report") (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 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 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 HKSAs 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.

- Conclude on the appropriateness of the 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Cecilia, Lai Ting Yau.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**8,826**	13,338
Right-of-use assets	*7*	**68,600**	12,952
Goodwill	*8*	**4,214,619**	—
Intangible assets	*8*	**684,821**	2,172
Deferred tax assets	*23*	**1,693**	3,280
Investments accounted for using the equity method	*9*	**34,448**	—
Financial assets at fair value through profit or loss	*17*	**136,000**	—
Financial assets at fair value through other comprehensive income	*12*	**539**	553
Prepayments	*13*	**—**	6,595
Prepayments for film and television programmes rights	*14*	**74,400**	—
Film and television programmes rights	*15*	**1,403,045**	—
		6,626,991	38,890
Current assets			
Film and television programmes rights	*15*	**1,178,828**	—
Inventories	*10*	**2,257**	8,840
Prepayments and other current assets	*13*	**326,978**	21,465
Trade and other receivables	*16*	**1,300,529**	154,987
Financial assets at fair value through profit or loss	*17*	**44,846**	17,967
Cash and cash equivalents	*18*	**1,139,463**	1,031,092
		3,992,901	1,234,351
Total assets		**10,619,892**	1,273,241
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*19*	**180,467**	161,228
Share premium	*19*	**7,752,893**	4,511,147
Other reserves	*20*	**40,240**	46,481
Accumulated losses		**(2,360,349)**	(3,535,688)
		5,613,251	1,183,168
Non-controlling interests		**6,165**	—
Total equity		**5,619,416**	1,183,168

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**1,373,018**	—
Lease liabilities	7	**26,797**	11,811
Deferred tax liabilities	23	**501,958**	—
Contingent consideration payable	35	**1,373,719**	—
		3,275,492	11,811
Current liabilities			
Contract liabilities	5(e)	**16,083**	4,196
Borrowings	22	**150,000**	—
Trade payables	24	**50,418**	8,116
Film and television programmes investment funds from investors	25	**559,058**	—
Other payables and accruals	26	**80,603**	60,103
Current income tax liabilities	33	**168,432**	920
Lease liabilities	7	**13,531**	4,927
Contingent consideration payable	35	**686,859**	—
		1,724,984	78,262
Total liabilities		**5,000,476**	90,073
Total equity and liabilities		**10,619,892**	1,273,241

The consolidated financial statements on pages 71 to 167 were approved by the Board of Directors on 31 March 2022 and were signed on its behalf.

Ke Liming
Director

Chen Xi
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**2,318,132**	230,114
Cost of revenue	27	**(1,285,864)**	(119,892)
Gross profit		**1,032,268**	110,222
Selling and marketing costs	27	**(248,418)**	(50,417)
Administrative expenses	27	**(150,544)**	(71,154)
Net impairment losses on financial assets	3.1(d)	**(35,612)**	(4,169)
Other income	29	**7,682**	18,452
Other expenses	30	**—**	(2,928)
Other gains — net	31	**362,238**	5,174
Operating profit		**967,614**	5,180
Finance costs	32	**(34,545)**	(2,270)
Finance income	32	**382,673**	13,218
Finance income — net	32	**348,128**	10,948
Share of losses of associates accounted for using the equity method	9	**(337)**	—
Profit before income tax		**1,315,405**	16,128
Income tax expenses	33	**(141,753)**	(4,106)
Profit for the year, net of tax		**1,173,652**	12,022
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Changes in the fair value of debt instruments at fair value through other comprehensive income	20	**(14)**	(78)
Currency translation difference		**(6,122)**	(47,223)
Other comprehensive loss for the year, net of tax		**(6,136)**	(47,301)
Total comprehensive income/(loss) for the year		**1,167,516**	(35,279)

	Notes	2021 RMB'000	2020 RMB'000
Profit/(loss) attributable to:			
— Equity holders of the Company		**1,175,339**	12,022
— Non-controlling interests		**(1,687)**	—
		1,173,652	12,022
Total comprehensive income/(loss) attributable to:			
— Equity holders of the Company		**1,169,203**	(35,279)
— Non-controlling interests		**(1,687)**	—
		1,167,516	(35,279)
Earnings per share for profit attributable to the equity holders of the Company for the year: (expressed in RMB cents per share)			
— Basic earnings per share	*34*	**12.792**	0.149
— Diluted earnings per share	*34*	**11.056**	0.149

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share capital RMB'000 *(Note 19)*	Share premium RMB'000 *(Note 19)*	Other reserves RMB'000 *(Note 20)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020	150,172	4,454,940	80,890	(3,544,451)	1,141,551	—	1,141,551
Comprehensive income							
Profit for the year	—	—	—	12,022	12,022	—	12,022
Other comprehensive loss							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	(78)	—	(78)	—	(78)
Currency translation difference	—	—	(47,223)	—	(47,223)	—	(47,223)
Total other comprehensive loss	—	—	(47,301)	—	(47,301)	—	(47,301)
Total comprehensive income/(loss)	—	—	(47,301)	12,022	(35,279)	—	(35,279)
Transactions with equity holders							
Deemed contribution from a former shareholder	—	—	9,471	—	9,471	—	9,471
Expiry of warrants	—	—	6	(6)	—	—	—
Issue of new shares upon exercise of warrants	11,056	56,207	162	—	67,425	—	67,425
Transfer to statutory reserve	—	—	3,253	(3,253)	—	—	—
Total transactions with equity holders	11,056	56,207	12,892	(3,259)	76,896	—	76,896
Balance at 31 December 2020	161,228	4,511,147	46,481	(3,535,688)	1,183,168	—	1,183,168

	Attributable to equity holders of the Company						
	Share capital RMB'000 *(Note 19)*	Share premium RMB'000 *(Note 19)*	Other reserves RMB'000 *(Note 20)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	161,228	4,511,147	46,481	(3,535,688)	1,183,168	—	1,183,168
Comprehensive income							
Profit for the year	—	—	—	1,175,339	1,175,339	(1,687)	1,173,652
Other comprehensive loss							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	(14)	—	(14)	—	(14)
Currency translation difference	—	—	(6,122)	—	(6,122)	—	(6,122)
Total other comprehensive loss	—	—	(6,136)	—	(6,136)	—	(6,136)
Total comprehensive income/(loss)	—	—	(6,136)	1,175,339	1,169,203	(1,687)	1,167,516
Transactions with equity holders							
Capital contribution by non-controlling equity holders of subsidiaries	—	—	—	—	—	5,999	5,999
Issue of ordinary shares as consideration for business combination	19,239	3,241,746	—	—	3,260,985	—	3,260,985
Non-controlling interest arising from business combination *(Note 35)*	—	—	—	—	—	1,853	1,853
Release of reserves upon deregistration of subsidiaries	—	—	(8,708)	—	(8,708)	—	(8,708)
Employees share option scheme *(Note 21)*:							
— share-based compensation expenses	—	—	8,603	—	8,603	—	8,603
Total transactions with equity holders	19,239	3,241,746	(105)	—	3,260,880	7,852	3,268,732
Balance at 31 December 2021	180,467	7,752,893	40,240	(2,360,349)	5,613,251	6,165	5,619,416

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash used in operating activities			
Cash used in operations	*36(a)*	**(1,469,253)**	(242,995)
Interest paid		**(2,007)**	(2,679)
Interest received		**6,292**	13,218
Income tax paid		**(2,487)**	(2,362)
Net cash used in operating activities		**(1,467,455)**	(234,818)
Cash used in investing activities			
Purchase of property, plant and equipment		**(2,932)**	(2,743)
Purchase of intangible assets		**(247)**	(137)
Purchase of right-of-use assets		**(29,118)**	—
Purchase of financial assets at fair value through profit or loss	*17*	**(185,270)**	(17,175)
Proceeds from disposal of property, plant and equipment		**—**	4
Proceeds from disposal of held-for-trading equity investment		**—**	3,061
Proceeds from disposal of financial assets at fair value through profit or loss	*17*	**27,383**	—
Investment in investments accounted for using the equity method		**(34,785)**	—
Cash acquired from business combination *(Note 35)*		**89,986**	—
Dividend income from financial assets at fair value through profit or loss		**—**	8
Dividend income from financial assets at fair value through other comprehensive income		**—**	40
Net cash used in investing activities		**(134,983)**	(16,942)
Cash flows from financing activities			
Proceeds from exercise of new warrants		**—**	67,425
Proceeds from other borrowings	*36(b)*	**1,723,801**	—
Deemed contributions from a former shareholder		**—**	9,471
Contribution from non-controlling interests		**5,999**	—
Repayment of other borrowings	*36(b)*	**(5,000)**	(53,571)
Repayment of principal elements of lease	*36(b)*	**(14,764)**	(9,748)
Net cash generated from financing activities		**1,710,036**	13,577
Net increase/(decrease) in cash and cash equivalents		**107,598**	(238,183)
Cash and cash equivalents at the beginning of the year		**1,031,092**	1,313,301
Exchange gain/(loss) on cash and cash equivalents		**773**	(44,026)
Cash and cash equivalents at end of year	*18*	**1,139,463**	1,031,092

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

China Ruyi Holdings Limited (formally known as HengTen Networks Group Limited) (the "Company") was incorporated in Bermuda with limited liability and is engaged in investment holding. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company and its subsidiaries (the "Group") are principally engaged in content production and online streaming business, internet community services and related businesses, manufacture and sales of accessories.

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board", or "Directors") of the Company on 31 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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 all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), and contingent consideration payable which are stated at fair value.

The preparation of financial statements in conformity with HKFRS 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 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The adoption of the above new and amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKFRS 16 (Amendment)	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts — Costs of Fulfilling a Contract	1 January 2022
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual Improvements to HKFRS Standards 2018 to 2020	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group (Continued)

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has controlled. 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.

Subsidiaries controlled through contractual arrangements

The Group's wholly-owned subsidiaries have entered certain contractual arrangements (the "Contractual Arrangements") with the Company's subsidiaries' (all established in the People Republic of China ("PRC")) equity holders, which enable the Group to:

— exercise effective financial and operational control over the variable interest entities ("VIE");

— exercise equity holders' voting rights of the VIE;

— receive substantially all of the economic interest and returns generated by the VIE in consideration for the business support, technical and consulting services provided by the wholly foreign-owned enterprise ("WFOE"), at the WFOE's discretion;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(a) Subsidiaries (Continued)

Subsidiaries controlled through contractual arrangements (Continued)

— obtain an irrevocable and exclusive right to purchase the entire equity interest in the VIE from the equity holders;

— obtain a pledge over the entire equity interest in the VIE from its equity holders as collateral security for all of the VIE's payments due to the WFOE and to secure performance of the VIE's obligations under the VIE Contracts, respectively.

The Group does not have any equity interest in the VIE. However, as a result of the contractual arrangements, the Group has rights to variable returns from its involvement with the VIE and has the ability to affect those returns through its power over the VIE and is considered to control the VIE. Consequently, the Group regards the VIE as a controlled structure entity and consolidated the financial position and result of operations of the VIE in the consolidated financial statements.

(b) 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.

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(d) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint operations.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings.

(e) Changes in ownership interests

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. 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 a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "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 make strategic decisions.

2.6 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 consolidated financial statements are presented in RMB, which is the presentation currency of the Company. The functional currency of the Company is Hong Kong dollars ("HK$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates 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. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains — net.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet,

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is 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 other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is 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 recognised in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4–5 years or over lease term, whichever is the shorter
Plant and machinery	5–10 years
Furniture, fixtures and equipment	5–10 years
Network equipment	3 years
Motor vehicles	4–5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains — net" in profit or loss.

2.8 Intangible assets

(a) Acquired internet platform

Separately acquired internet platform is shown at historical cost. The platform has a finite useful life and is carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful lives of three years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(b) Internal development costs

Internal costs incurred on development projects (relating to the upgrade of the internet platform) are capitalised as intangible assets when recognition criteria are met:

- it is technically feasible to complete the application so that it will be available for use;
- management intends to complete the application and use or sell it;
- there is an ability to use or sell the application;
- it can be demonstrated how the application will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the application are available; and
- the expenditure attributable to the application during its development can be reliably measured.

Directly attributable costs that are capitalised include employment costs and an appropriate portion of relevant overheads. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives of three years.

Research expenditure and development expenditure that do not meet the capitalisation criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Patent

Separately acquired patent used right is shown at historical cost. The patent has a finite useful life and is carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful lives of ten years.

(d) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(d) Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use ("VIU") and the fair value less costs of disposal ("FVLCD"). Any impairment is recognised immediately as an expense and is not subsequently reversed.

(e) Operating licences

Separately acquired licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date.

Operating licences for production and distribution of television drama series, television programs and films in the PRC have indefinite useful lives. The renewal of these licences are subject to the approval of the relevant bureau. In the opinion of the Directors of the Company, the renewal of these licences will continue to be approved with minimal costs and accordingly, they are deemed to have indefinite lives. These intangible assets will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication they may be impaired.

(f) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets. Software acquired in a business combination are recognised at fair value at the acquisition date.

Capitalised development costs are recorded as intangible assets and amortised over its useful life of 5 years from the point at which the asset is ready for use.

2.9 Film and television programmes rights

(a) Film and television programmes rights under production

Film and television programmes rights under production are carried at cost, less accumulated impairment loss. Cost includes all direct costs associated with the production of films and television programmes rights.

Film and television programmes rights under production are transferred to "film and television programmes rights completed" upon completion of production.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Film and television programmes rights (Continued)

(b) Film and television programmes rights completed

Film and television programmes rights completed are carried at cost, less accumulated amortisation and accumulated impairment losses, if any. Amortisation for these films are charged to profit or loss over the period of the first release of the films through various distribution channels, such as theatrical release, television release or internet release, and other licensing arrangement. Cost of television programmes rights is charged to profit or loss upon the delivery of master tapes of the respective television programmes.

(c) Licensed film and television programmes rights

Licensed film and television programmes rights represent the Group's investments in film and television programmes rights licenses. The Group acquired or licensed rights from third parties for broadcasting of films or television programmes series on its online video platform or sub-licensing the license rights to other parties. Licensed film and television programmes rights are carried at cost, less accumulated amortisation and accumulated impairment losses, if any.

Licensed film and television programmes rights are amortised on a straight-line basis over their estimated useful lives of one to ten years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimation being accounted for on a prospective basis.

(d) Derecognition

Film and television programmes rights are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of film and television programmes rights, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.10 Film and television programmes investment funds from investors

The amounts represent investments made by certain investors in respect of film rights developed by the Group and the amounts payable to these investors. In accordance with the terms of the respective investment agreements, the investors are entitled to the rights to recoup their investment amounts as appropriate by the predetermined percentage of income to be generated from the films. The financial liabilities are measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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 purposes 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Investments and other 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 other comprehensive income 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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(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, 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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. 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 — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Financial assets at 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 — 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 — net and impairment expenses are presented as separate line item in the statement of profit or loss.

- Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or 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 — net in the period in which it arises.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments (Continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains- net in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(d) for further details.

2.13 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities of the Group are classified, at initial recognition, at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

(b) Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.14 Financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

See Note 16 for further information about the Group's accounting for trade receivables and Note 3.1(d) for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.18 Share capital

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

2.19 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Borrowings

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

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

2.21 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(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 the reporting period in the countries where the company's 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided, 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 tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred 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.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

2.23 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(b) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price), if any;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payments (Continued)

(a) Equity-settled share-based payment transactions (Continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. 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. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among Group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. 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 investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.25 Provision

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 has been reliably estimated. Provisions are not recognised for further 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.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and provision of internet platform services in the ordinary course of the Group's activities.

Revenue is recognised when or as the control of the services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

Control of the goods or 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 Group performs; 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 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 services. Specific criteria where revenue is recognised are described below.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a service to the customer, the Group presents the contract as a 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 services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset represents the Group's right to consideration for the services that the Group has transferred to the customers but is not yet unconditional. 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 requited before payment of that consideration is due.

Revenue is recognised when specific criteria have been met for the Group's activity as described below:

(a) Sales of goods

The Group manufactures and sells accessories for photographic and electrical products in wholesale market, and sells building furnishing materials in wholesale and retail market. Revenue from sales of goods are recognised when the products have been delivered to the customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

(b) Provision of internet community services

The Group provides an internet platform on which suppliers can exhibit furniture and home appliance products and another internet platform on which suppliers can exhibit building furnishing materials, and the users can access and purchase these products from the platform offered by suppliers. The Group is not the primary obligor, does not bear the inventory risk nor have the ability to establish the price. Upon successful sales, the Group will charge the suppliers a service fee based on the transactions amount. The suppliers are our customers as these suppliers are the primary obligor to provide goods and delivery service to the users and the performance obligation of the Group is to provide matching service for the suppliers. The platform service fee is determined as a percentage of the transaction amount achieved by using the Group's platform and paid by suppliers as commission revenue. The Group acts as an agent in this transaction and recognises revenue when the matching service is completed.

(c) Content production

The Group invests in and produces entertainment content such as film and television programmes series. Revenue derived from box office income and sub-licensing of film and television programmes rights is recognised at a point in time when the control of the entertainment content is transferred to the customers so that the customers can direct the use and obtain associated benefit.

(d) Online streaming platform

The Group operates an online streaming platform and provides the users with membership services. Revenue is recognised over time during the period of membership as the users simultaneously receives and consumes the benefits provided by the membership services.

2.27 Film investment income

Film investment income is recognised in profit or loss when the right to receive payment is established.

2.28 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.29 Interest income

Interest income from financial assets at FVPL is included in fair value change in financial assets at FVPL on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income.

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

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 asset (after deduction of the loss allowance).

2.30 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.31 Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 37). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Leases (Continued)

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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by China Ruyi Holdings Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Leases (Continued)

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 life and the lease term 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.

Payments associated with short-term leases and all 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 12 months or less.

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions. After the commencement date, the Group remeasures the lease liability to reflect any lease modification using the interest rate implicit in the lease for the remainder of the lease term. If that rate cannot be determined, the lessee's incremental borrowing rate at the effective date of the lease modification is used. The Group adjusts the carrying amount of the right-of-use asset for the remeasurement of the lease liability. If the carrying amount of the right-of-use asset has already been reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

2.32 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.33 Government grant

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

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factor

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit or loss information has been included where relevant to add further context.

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and net monetary assets and liabilities are denominated in RMB, United States dollars ("US$"), Euro ("EUR") and HK$, currencies other than the functional currencies of respective group entities.

The Group has not used any forward contracts, currency borrowings and other means to hedge its foreign currency exposure but manages through constant monitoring to limit as much as possible its net exposure.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. In the opinion of directors, HK$ are reasonably stable against the US$ under the Linked Exchange Rate System, and accordingly, no sensitivity analysis with respect to the US$ against HK$ is performed.

Most of the transactions of the Company and its major subsidiaries are denominated in their respective functional currency. The Company and its subsidiaries do not have significant financial assets or financial liabilities denominated in currencies other than their functional currencies. Accordingly, the Group does not have significant foreign currency exposure.

The directors of the Company are of the opinion that the impact on exchange difference for EUR, RMB and HK$ are immaterial as at 31 December 2021 and 2020 due to most of the transactions of the Company and its major subsidiaries are denominated in their respective functional currency. The Company and its subsidiaries do not have significant financial assets or financial liabilities denominated in currencies other than their functional currencies. Accordingly, the Group does not have significant foreign currency exposure.

(b) Price risk

The Group's exposure to price risk arises from investments held by the Group and classified in the consolidated statement of financial position either as FVOCI or at FVPL.

At 31 December 2021, if the fair values of the investments classified as financial assets at FVPL and FVOCI had been 5% higher/lower, with all other variables held constant, the Group's pre-tax profit and other components of equity would have been approximately RMB2,242,000 higher/lower (2020: RMB898,000 higher/lower) and approximately RMB27,000 higher/lower (2020: RMB28,000 higher/lower) respectively. Pre-tax profit for the year would increase/decrease as a result of gains/losses on financial asset classified as at FVPL. Other components of equity would increase/decrease as a result of gains/losses on financial asset classified as FVOCI.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and fair value interest rate risk in relation to fixed-rate other borrowings and interest-free other borrowing, respectively.

The Group currently does not have a policy to hedge against the interest rate risk as management does not expect any significant interest rate risk as at the end of the reporting period.

At 31 December 2021, if interest rates had been 50 basis points higher/lower, with all other variables held constant, the pre-tax profit for the year would have been approximately RMB5,697,000 higher/lower (2020: RMB5,155,000 higher/lower), mainly as a result of higher/lower interest income from bank balances.

(d) Credit risk

The Group is exposed to credit risk in relation to its financial asset at FVOCI, trade and other receivables and cash and cash equivalents.

The carrying amounts of financial asset at FVOCI, trade and other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

At 31 December 2021 and 2020, 88% and 39% of the total trade receivables was due from the Group's five largest customers. The directors of the Company consider these counterparties with good credit worthiness based on their past repayment history. The directors closely monitor the subsequent settlement of the customers. The Group does not grant long credit period to the counterparties.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Substantially all of the Group's bank deposits are deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has three types of financial asset that is subject to the expected credit loss models:

- trade receivables
- other financial assets carried at amortised cost
- financial asset at FVOCI

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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 prepayment plan with the Group, and a failure to make contractual payments. For the year ended 31 December 2021, the amount of loss allowance in respect of these individually assessed receivables was approximately RMB20,095,000 (2020: Nil).

Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected credit loss rates are estimated on the existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable.

For the year ended 31 December 2021, the amount of loss allowance in respect of these collectively assessed receivables was RMB5,659,000 (2020: approximately RMB7,055,000).

Impairment losses on trade receivables are presented as 'net impairment losses on financial assets' in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets carried at amortised cost

For other financial assets at amortised cost, including deposits and other receivables, the expected credit loss is based on 12 months expected loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2021, the net expected credit losses of these collectively assessed deposits and other receivables were RMB12,516,000 (2020: RMB2,285,000).

The closing loss allowance for trade and other receivables as at 31 December 2021 and 2020 reconcile to the opening loss allowance as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Balance as at 1 January 2020	5,522	—	5,522
Increase in loss allowance recognised in profit or loss	4,111	2,285	6,396
Receivables written off as uncollectible	(351)	—	(351)
Unused amount reversed	(2,227)	—	(2,227)
Balance as at 31 December 2020	7,055	2,285	9,340
Increase in loss allowance recognised in profit or loss	25,754	14,616	40,370
Acquired from business combination	3,763	—	3,763
Receivables written off as uncollectible	(20,694)	(14,555)	(35,249)
Unused amount reversed	(2,658)	(2,100)	(4,758)
Balance as at 31 December 2021	13,220	246	13,466

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Cash and cash equivalents

There is no loss allowance for cash and cash equivalents as at 31 December 2021 (2020: Nil).

Financial asset at FVOCI

The Group's financial asset at FVOCI is considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

(e) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from advance receipts and long-term borrowings to meet its operating demands.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2021				
Borrowings	**173,344**	**—**	**1,723,801**	**1,897,145**
Trade payables *(Note 24)*	**50,418**	**—**	**—**	**50,418**
Film and television programme investment fund from investors *(Note 25)*	**559,058**	**—**	**—**	**559,058**
Other payables* *(Note 26)*	**47,306**	**—**	**—**	**47,306**
Lease liabilities	**16,351**	**15,396**	**19,634**	**51,381**
Total	**846,477**	**15,396**	**1,743,435**	**2,605,308**
At 31 December 2020				
Trade payables *(Note 24)*	8,116	—	—	8,116
Other payables* *(Note 26)*	53,553	—	—	53,553
Lease liabilities	5,584	3,740	9,122	18,446
Total	67,253	3,740	9,122	80,115

* Excluding provisions for other taxes

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated statements of financial position. Total borrowings includes borrowings and lease liabilities.

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Total borrowings and lease liabilities	**1,563,346**	16,738
Total assets	**10,619,892**	1,273,241
Gearing ratio	**15%**	1%

The increase in the gearing ratio during 2021 was resulted primarily from the fund raised from borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) *Fair value hierarchy*

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2021 and 2020 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Financial assets				
Film rights investments *(Note 15)*	—	—	564	564
Financial assets at FVPL *(Note 17)*	44,846	—	136,000	180,846
Financial assets at FVOCI *(Note 12)*	539	—	—	539
	45,385	—	136,564	181,949

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Financial liability				
Contingent consideration payable *(Note 35)*	—	—	2,060,578	2,060,578

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Financial assets				
Financial assets at FVPL *(Note 17)*	17,967	—	—	17,967
Financial assets at FVOCI *(Note 12)*	553	—	—	553
	18,520	—	—	18,520

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2021.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

Financial instruments that are measured in the consolidated statement of financial position at fair value are disclosed by level of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group's Level 3 instruments comprised unlisted fund which are not traded in an active market. Fair values of these instruments have been determined using appropriate valuation techniques with references including quoted prices and asset-based value from financial institutions and other prices observed in recent transactions.

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

The following table presents the changes in level 3 financial instruments of the Group for the year ended 31 December 2021:

	Film rights investments RMB'000	Unlisted fund RMB'000	Total RMB'000
Balance at 1 January 2021	—	—	—
Addition	2,922	136,000	138,922
Acquired from business combination	66,222	—	66,222
Changes in fair values	(99)	—	(99)
Transfer to other receivables	(68,481)	—	(68,481)
Balance at 31 December 2021	564	136,000	136,564

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(ii) Fair value measurements using significant unobservable inputs (level 3) (Continued)

Unlisted fund investment

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions. If one ore more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The key input is net asset value of the underlying investment. Significant unobservable input is the net asset values of the underlying investments determined by reference to fund reports of the investees.

No indication that a slight increase in the net asset values of the underlying investment used would result in a significant increase in fair value measurement, and vice versa. The higher the net asset values of the underlying investments, the higher the fair value.

Film rights investments

Film rights investments are the investments on film and television programmes that do not meet solely payments of principal and interest condition.

The film rights investments are primarily valued based on the discounted cash flows method using the expected rate of return based on the management estimates and are within level 3 of the fair value hierarchy.

If the fair values of the film rights investments held by the Group had been 10% higher/lower as at 31 December 2021, pre-tax loss for the year ended 31 December 2021 would have been RMB56,000 lower/higher.

No sensitivity analysis for unlisted fund investments and film right investments are presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

See Note 35 for disclosure relating to the contingent consideration payable which is measured at fair value.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowings
- Film and television programmes investment funds from investors

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the periods.

There were no other changes in valuation techniques during the periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill and intangible assets with indefinite useful life

The Group tests annually whether goodwill and intangible with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of CGUs are determined based on VIU, which require the use of estimates and valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Based on management's assessment, there was no impairment on goodwill charged to administrative expenses during the year ended 31 December 2021.

(b) Purchase consideration payable for acquisition

Fair value of contingent consideration payable

The fair value of contingent consideration payable was determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including post-acquisition performance of the acquired businesses and fair value of the Company's shares, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumption used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation.

(c) Measurement, amortisation and impairment of film and television programmes rights classified as intangible assets

At the end of each reporting period, the directors of the Group assessed the amortisation policy and expected useful lives of the film and television programmes rights classified as intangible assets. The determination of amortisation policy and expected useful lives requires management's significant judgement.

The Group amortises the film and television programmes rights completed based on the management's assessment of their potential benefits brought to the Group and the expected consumption pattern.

Based on the management's assessment, amortisation of film is charged to profit or loss over the period of the first release of the films through various distribution channels, such as theatrical release, television release or internet release, and other licensing arrangement. Cost of television programmes rights is charged to profit or loss upon the delivery of master tapes of the respective television programmes.

Other than the amortisation, the directors also assessed whether impairment indicator exists on film and television programmes rights classified as intangible assets and provide impairment up to its recoverable amount. For film and television programmes rights classified as intangible assets, the assessment was made on a film-by-film basis. The recoverable amount of the film and television programmes rights classified as intangible assets was determined by using the fair value less cost of disposal approach.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Measurement, amortisation and impairment of film and television programmes rights classified as intangible assets (Continued)

In determining the recoverable amount of film and television programmes rights classified as intangible assets, the Group takes into consideration both internal and external market information, for example, the sales forecasts, the production, sales and distribution costs budget and the general economic condition of the relevant markets.

(d) Impairment of trade and other receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. Details of the key assumptions and inputs used are disclosed in Note 3.1(d).

(e) Valuation of net identifiable assets arising from the business combination

The Group completed the acquisition of Virtual Cinema on 20 January 2021. Management of the Group has engaged an independent valuer to assist in performing the purchase price allocation assessment on the fair values of assets acquired and liabilities assumed as at the acquisition date.

Significant management judgements were involved in the valuation methodology and underlying assumptions of the valuation of purchase price allocation, including forecasted revenue growth rate, terminal growth rate and discount rate used to determine the fair values of the operating license.

Had the Group used different inputs or assumptions, other identifiable assets acquired and liabilities assumed and the goodwill recognised would be different and thus cause impact to the consolidated statement of financial position. Details of the business combination are disclosed in Note 35.

(f) Subsidiaries arising from contractual arrangements

The Group does not hold equity shares directly or indirectly in VIE. However, as a result of the VIE Contacts, the Group has rights to variable returns from its involvement with the VIE; and the ability to affect those returns through its power over the VIE; and is considered to have control over the VIE. Consequently, the Group regards the VIE as an indirect subsidiary. The Group has included the financial position and results of the VIE in the condensed consolidated interim financial statements.

Nevertheless, these contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the VIE and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights to the results, assets and liabilities of the VIE. The Group believes that these contractual arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Tax provisions

The Group is subject to turnover and income taxes in the PRC and Hong Kong. Significant judgement is required in determining the tax provision. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. At the end of each reporting period, the Group reassess the provision for turnover and income taxes based on the reported financial results and the estimates of whether additional taxes will be due or any taxes are over or under provided. However where the final tax outcome of these matters is different from the provision amounts that were initially recorded by the Group, such difference will impact the provision in the year in which such determination is made.

(h) Revenue derived from content production

Management considered whether it was appropriate to recognise the revenue from content production, net of approximately RMB1,289,907,000 in the current year, which is in line with the Group's general policy of recognising revenue as set out in Notes 2.26.

In making the judgement, management considered the detailed criteria included satisfying the performance obligation and the right to receive payment for the recognition of revenue derived from content production set out in the applicable standards. In the event where the criteria are met but the final statement of the relevant film has not yet received, judgement is required to estimate the revenue and related costs of the film.

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

The CODM of the Group has been identified as the executive directors of the Company who is responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into three business segments: (1) content production and online streaming business, (2) internet community and related businesses and (3) manufacture and sales of accessories .

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Certain corporate expenses, other income, other gains and finance income — net are not included in the results for each operating segment.

In previous years, management considered that the Group has two reportable operating segments, being internet community and related businesses and manufacture and sales of accessories. During the year, the Group acquired 100% equity interest in Virtual Cinema which is principally engaged in film and television programmes productions and distribution and online streaming platform business. Therefore, management currently considers the Group's operation from a business perspective and determines that the Group has three reportable operating segments.

5 SEGMENT INFORMATION (Continued)

(b) Segment profit/(loss)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2021 are as follows:

	Content production and online streaming business RMB'000	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
Revenue				
Timing of revenue recognition				
At a point	1,963,594	9,578	51,029	2,024,201
Over time	251,478	42,453	—	293,931
	2,215,072	52,031	51,029	2,318,132
Segment profit/(loss)	696,894	(74,761)	3,121	625,254
Unallocated corporate expenses				(22,646)
Unallocated other gains				361,924
Unallocated finance income — net				350,873
Profit before income tax				1,315,405
Depreciation of property, plant and equipment	697	3,931	369	4,997
Depreciation of right-of-use assets	10,175	2,602	997	13,774
Amortisation of intangible assets	2,734	238	—	2,972
Amortisation of film and television programmes rights	210,127	—	—	210,127
Amortisation of licensed film and television programmes rights	231,564	—	—	231,564
Share of losses of associate accounted for using the equity method	337	—	—	337

5 SEGMENT INFORMATION (Continued)

(b) Segment profit/(loss) (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2020 are as follows:

	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
Revenue			
Timing of revenue recognition			
At a point	71,038	44,644	115,682
Over time	114,432	—	114,432
	185,470	44,644	230,114
Segment profit/(loss)	31,100	(3,841)	27,259
Unallocated corporate expenses			(13,598)
Unallocated other income			48
Unallocated other gains			1,873
Unallocated finance income — net			546
Profit before income tax			16,128
Depreciation	12,200	1,515	13,715
Amortisation	894	—	894

During the years ended 31 December 2021 and 2020, all of the segment revenue reported above was from external customers and there were no inter-segment sales.

5 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

Segment assets and liabilities as at 31 December 2021 are as follows:

	Content production and online streaming business RMB'000	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	9,221,434	62,654	12,318	9,296,406
Unallocated other receivables and prepayments				945
Financial assets at FVPL				180,846
Financial assets at FVOCI				539
Deferred tax assets				1,693
Cash and cash equivalents				1,139,463
Consolidated total assets				10,619,892
LIABILITIES				
Segment liabilities	(1,359,072)	(10,555)	(11,977)	(1,381,604)
Unallocated other payables				(4,145)
Unallocated borrowings				(1,373,018)
Contingent consideration payable				(2,073,277)
Current income tax liabilities				(168,432)
Consolidated total liabilities				(5,000,476)

5 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities (Continued)

Segment assets and liabilities as at 31 December 2020 are as follows:

	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
ASSETS			
Segment assets	205,816	13,293	219,109
Unallocated other receivables and prepayments			1,240
Financial assets at FVPL			553
Financial assets at FVOCI			17,967
Deferred tax assets			3,280
Cash and cash equivalents			1,031,092
Consolidated total assets			1,273,241
LIABILITIES			
Segment liabilities	(75,434)	(8,354)	(83,788)
Unallocated other payables			(5,365)
Current income tax liabilities			(920)
Consolidated total liabilities			(90,073)

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments, other than certain other receivables and prepayments, financial assets at FVPL, financial assets at FVOCI, deferred tax assets and cash and cash equivalents; and

- all liabilities are allocated to reportable and operating segments, other than certain other payables, certain borrowings, contingent consideration payable and current income tax liabilities.

5 SEGMENT INFORMATION (Continued)

(d) Geographical information

The Group's operations are located in the PRC and Hong Kong for the years ended 31 December 2021 and 2020.

Information about the Group's revenue from external customers is presented based on the location at which the goods or services are delivered or provided.

The Group's total revenue from sales of goods and provision of services by geographical location is detailed below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
PRC	**2,277,676**	193,009
Europe	**22,531**	17,691
Hong Kong	**14,313**	14,030
Others	**3,612**	5,384
	2,318,132	230,114

The Group's non-current assets excluding financial instruments and deferred tax assets by geographical location of the assets are detailed below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
PRC	**4,975,866**	32,744
Hong Kong	**1,000**	2,313
	4,976,866	35,057

5 SEGMENT INFORMATION (Continued)

(e) Liabilities related to contracts with customers

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contract liabilities	**16,083**	4,196

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period — Internet community and related businesses	**4,196**	18,143

Unsatisfied performance obligations

Unsatisfied performance obligations are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

(f) Information about major customers

During the year ended 31 December 2021, one customer individually contributed over 10% of the Group's revenue (2020: Nil). The revenue from the customer during the year was approximately RMB455,524,000.

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Network equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2020						
Opening net book amount	174	221	1,977	3,258	11,827	17,457
Additions	84	1,147	1,512	—	—	2,743
Currency translation differences	(6)	1	(7)	—	(508)	(520)
Disposals	—	—	(10)	—	—	(10)
Depreciation *(Note 27)*	(100)	(69)	(926)	(2,066)	(3,171)	(6,332)
Closing net book amount	152	1,300	2,546	1,192	8,148	13,338
At 31 December 2020						
Cost	1,636	3,602	6,045	49,174	13,600	74,057
Accumulated depreciation	(1,484)	(2,302)	(3,499)	(47,982)	(5,452)	(60,719)
Net book amount	152	1,300	2,546	1,192	8,148	13,338
Year ended 31 December 2021						
Opening net book amount	**152**	**1,300**	**2,546**	**1,192**	**8,148**	**13,338**
Additions	**—**	**21**	**535**	**2,376**	**—**	**2,932**
Acquired from business combination *(Note 35)*	**—**	**—**	**—**	**806**	**—**	**806**
Currency translation differences	**4**	**2**	**1**	**—**	**(68)**	**(61)**
Depreciation *(Note 27)*	**(50)**	**(226)**	**(813)**	**(966)**	**(2,942)**	**(4,997)**
Write-off	**—**	**(989)**	**(1,733)**	**(470)**	**—**	**(3,192)**
Closing net book amount	**106**	**108**	**536**	**2,938**	**5,138**	**8,826**
At 31 December 2021						
Cost	**1,661**	**2,524**	**2,357**	**52,381**	**13,112**	**72,035**
Accumulated depreciation	**(1,555)**	**(2,416)**	**(1,821)**	**(49,443)**	**(7,974)**	**(63,209)**
Net book amount	**106**	**108**	**536**	**2,938**	**5,138**	**8,826**

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Administrative expenses	**4,218**	4,388
Cost of revenue	**323**	1,655
Selling and marketing expenses	**456**	289
	4,997	6,332

7 LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The consolidation statement of financial position shows the following amounts relating to leases:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Right-of-use assets		
Leasehold land and building	**28,996**	—
Office premises	**39,604**	12,902
Warehouses	**—**	50
	68,600	12,952
Lease liabilities		
Current	**13,531**	4,927
Non-current	**26,797**	11,811
	40,328	16,738

Additions to the right-of-use assets during the year ended 31 December 2021 were RMB53,399,000 (2020: RMB13,341,000).

7 LEASE (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

	31 December 2021 RMB'000	31 December 2020 RMB'000
Depreciation charge of right-of-use assets		
Leasehold land and building	122	4,190
Office premises	13,602	—
Warehouses	50	4,126
	13,774	8,316
Interest expenses on lease liabilities *(Note 32)*	2,007	1,114
Expense relating to short-term leases (included in selling and marketing costs and administrative expenses)	6,097	2,000

The total cash outflow for leases in 2021 was RMB22,868,000 (2020: RMB14,008,000).

During the years ended 31 December 2021, the Group received rent concessions from landlords for certain office premises, which have been accounted for as lease modifications.

(c) The Group's leasing activities and how these are accounted for

The Group leases various warehouses and office premises for long-term contracts. Rental contracts are typically made for fixed periods of 2 to 5 years. 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, but leased assets may not be used as security for borrowing purposes.

The Group has lease contract for leasehold land and building used in its operations. Lump sum payments were made upfront to acquire the leasehold land and building from the owner with lease period of 50 years, and no ongoing payments will be made under the terms of these land leases.

(d) Extension and termination options

Extension and termination options are included in a number of property, plant and equipments leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

8 GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Acquired Internet platform	Capitalised Development costs	Intangible assets Patent	Intangible assets Software	Operating license	Total intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020							
Opening net book amount	—	177	421	2,331	—	—	2,929
Additions	—	100	—	37	—	—	137
Amortisation charge *(Note 27)*	—	(204)	(421)	(269)	—	—	(894)
Closing net book amount	—	73	—	2,099	—	—	2,172
At 31 December 2020							
Cost	—	2,377	10,610	2,705	—	—	15,692
Accumulated amortisation	—	(2,304)	(10,610)	(606)	—	—	(13,520)
Net book amount	—	73	—	2,099	—	—	2,172
Year ended 31 December 2021							
Opening net book amount	**—**	**73**	**—**	**2,099**	**—**	**—**	**2,172**
Additions	**—**	**—**	**—**	**—**	**247**	**—**	**247**
Acquired from business combination *(Note 35)*	**4,214,619**	**—**	**—**	**—**	**12,751**	**674,557**	**687,308**
Amortisation charge *(Note 27)*	**—**	**(35)**	**—**	**(203)**	**(2,734)**	**—**	**(2,972)**
Write-off	**—**	**(38)**	**—**	**(1,896)**	**—**	**—**	**(1,934)**
Closing net book amount	**4,214,619**	**—**	**—**	**—**	**10,264**	**674,557**	**684,821**
At 31 December 2021							
Cost	**4,214,619**	**—**	**—**	**—**	**12,998**	**674,557**	**687,555**
Accumulated amortisation	**—**	**—**	**—**	**—**	**(2,734)**	**—**	**(2,734)**
Net book amount	**4,214,619**	**—**	**—**	**—**	**10,264**	**674,557**	**684,821**

Amortisation of approximately RMB2,516,000 and RMB456,000 were included in "cost of sales" and "administrative expenses" (2020: approximately RMB625,000 and RMB269,000 were included in "cost of sales" and "administrative expenses") respectively in the consolidated statement of comprehensive income (Note 27).

Operating license has an indefinite life which is not subject to amortization and is test annually for impairment.

8 GOODWILL AND INTANGIBLE ASSETS (Continued)

Impairment review on the goodwill and intangible assets with indefinite useful life of the Group was conducted by management as at 31 December 2021, according to HKAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of the CGUs is determined based on VIU.

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to two CGUs which are grouped in one segment.

	31 December 2021 RMB'000
Goodwill:	
Content production business	**3,278,395**
Online streaming business	**936,224**
Operating license with indefinite useful life:	
Online streaming business	**674,557**

The VIU calculations use cash flows projections based on financial budget prepared by management covering a five-year period. Major underlying assumptions adopted as at 31 December 2021 are summarised below:

	Content production business
Pre-tax discount rate (%)	16.29
Weighted average forecasted revenue amounts (RMB'000)	2,124,338
Terminal growth rate (%)	3

	Online streaming business
Pre-tax discount rate (%)	31.34
Average turnover per subscriber (%)	14.4–26.9
Terminal growth rate (%)	3

With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGUs to materially exceed their respective recoverable amount.

Based on above assessment, during the year ended 31 December 2021, no impairment was recognised for the goodwill and intangible assets.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2021 RMB'000
Associates	34,448

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	31 December 2021 RMB'000
Share of losses of associates	(337)

As at 31 December 2021, the Group had interest in the following associates:

Name	Place of incorporation and kind of legal entity	Principal activities	Paid-up capital	Percentage of ownership interest attributable to the Group
風吹不動影業(海口)有限公司 (Fengchuibuding Pictures (Haikou) Co., Ltd.*)	The PRC, limited liability company	Media and film production	RMB20,000,000	20%
喜歡季節(天津)文化娛樂有限公司 (Xihuanjijie (Tianjin) Culture and Entertainment Co., Ltd.*)	The PRC, limited liability company	Media and film production	RMB14,785,100	20%

* For identification purpose only

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Each individual associate does not have a significant impact on the Group's results of operations and financial position.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investment in associates

The movements of the investments in associates are as follows:

	31 December 2021 RMB'000
Balance as at 1 January 2021	—
Additions	34,785
Share of post-tax losses of associates	(337)
Balance as at 31 December 2021	34,448

10 INVENTORIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Raw materials	721	566
Work in progress	117	100
Finished goods	1,419	8,174
	2,257	8,840

(a) Amounts recognised in the consolidated statement of comprehensive income

The cost of inventories recognised as expense and included in "cost of sales" during the year ended 31 December 2021 amounting to approximately RMB50,357,000 (2020: RMB86,388,000) (Note 27).

A write back of provision for obsolete inventories of RMB2,789,000 (2020: RMB6,150,000) was recognised in the consolidated statement of comprehensive income in respect of the net amount of the (write back of provision)/provision for obsolete inventories, loss on obsolete inventories, utilisation of provision for obsolete inventories and write-down of inventories to their net realisable value for the year. These amounts have been included in cost of sales in the consolidated statement of comprehensive income (Note 27).

11 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Financial assets			
Financial assets at amortised cost			
Trade and other receivables	16	1,300,529	154,987
Cash and cash equivalents	18	1,139,463	1,031,092
Financial assets at FVOCI			
Investment in unlisted unit trusts	12	539	553
Financial assets at FVPL			
Equity investments in listed companies	17	44,846	17,967
Investment in an unlisted fund	17	136,000	—
		2,621,377	1,204,599

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Financial liabilities			
Liabilities at amortised cost			
Borrowings	22	1,523,018	—
Film and television programmes investment funds from investors	25	559,058	—
Trade payables	24	50,418	8,116
Other payables*	26	40,164	45,302
Lease liabilities	7	40,328	16,738
Financial liabilities at FVPL			
Contingent consideration payable	35	2,060,578	—
		4,273,564	70,156

* Excluding accrued expenses and provisions for other taxes

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021 RMB'000	31 December 2020 RMB'000
Unlisted unit trusts	**539**	553

13 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Prepayments *(Note)*	**238,220**	25,428
Deductible value-added tax	**88,758**	2,632
	326,978	28,060
Less non-current portion: prepayments	**—**	(6,595)
Current portion	**326,978**	21,465

Note: These prepayments mainly represented the prepayments made by the Group to several third parties pursuant to their licensed film and television programme rights agreements.

14 PREPAYMENTS FOR FILM AND TELEVISION PROGRAMMES RIGHTS

	31 December 2021 RMB'000
Prepayments for film and television programmes rights	**69,000**
Prepayments for film directors' fees	**5,400**
	74,400

Prepayments for film and television programmes rights represented the prepayments made by the Group to the respective parties in relation to the film and television programmes rights. The prepayments will form part of the contribution by the Group for the investment in production of film and television programmes rights. The related terms will be further agreed between the respective parties upon signing of the agreements.

15 FILM AND TELEVISION PROGRAMMES RIGHTS

	31 December 2021 RMB'000
Film and television programmes rights completed	612,835
Film and television programmes rights under production	1,875,138
Licensed film and television programmes rights	93,336
Film rights investments	564
	2,581,873
Less: Current portion	(1,178,828)
	1,403,045

	Film and television programmes rights completed RMB'000	Film and television programmes rights under production RMB'000	Licensed film and television programmes rights RMB'000	Film rights investments RMB'000	Total RMB'000
As at 1 January 2021	—	—	—	—	—
Acquired from business combination *(Note 35)*	21,805	1,536,653	26,711	66,222	1,651,391
Additions	17,006	1,122,636	367,175	2,922	1,509,739
Amortisation	(210,127)	—	(231,564)	—	(441,691)
Changes in fair values	—	—	—	(99)	(99)
Transfer	784,151	(784,151)	—	—	—
Transfer to other receivables	—	—	—	(68,481)	(68,481)
Termination of licensing contract	—	—	(68,986)	—	(68,986)
As at 31 December 2021	612,835	1,875,138	93,336	564	2,581,873

16 TRADE AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables — gross		
— Third parties	**1,074,417**	95,783
Less: allowance for impairment of trade receivables *(Note 3.1(d))*	**(13,220)**	(7,055)
Trade receivables — net *(Note (b))*	**1,061,197**	88,728
Other receivables due from		
— Related parties *(Note 38(d))*	**33,318**	25,137
— Loan receivables *(Note (d))*	**123,000**	—
— Interest income receivables	**2,480**	—
— Other third parties *(Note (c))*	**80,780**	43,407
Less: allowance for impairment of other receivables *(Note 3.1(d))*	**(246)**	(2,285)
Other receivables — net	**239,332**	66,259
Total trade and other receivables	**1,300,529**	154,987

(a) Trade and other receivables were denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000
— RMB	**1,295,380**	149,544
— US$	**4,356**	5,032
— HK$	**752**	369
— EUR	**41**	42
	1,300,529	154,987

16 TRADE AND OTHER RECEIVABLES (Continued)

(b) Trade receivables mainly arose from industrialised film and television, manufacture and sales of accessories and internet platform services. The Group allows an average credit period ranging from 60 to 150 days to its trade customers. The following is an ageing analysis of trade receivables net of allowance for impairment, based on the invoice date which approximates the revenue recognition date at the end of the reporting period.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 60 days	**919,218**	60,855
61 days to 180 days	**40,859**	8,305
Over 181 days	**101,120**	19,568
	1,061,197	88,728

(c) Other receivables

These balances generally arose from transactions surrounding the operating activities of the Group.

(d) The loan receivable are unsecured and denominated in RMB which bears a fixed interest rate, between 12% to 15% within 2 to 12 months.

(e) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair values.

(f) Impairment and risk exposure

Information about the impairment of trade and other receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1(d).

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Listed equity securities *(Note i)*	**44,846**	17,967
Unlisted investment fund *(Note ii)*	**136,000**	—
	180,846	17,967
Represented by:		
Non-current assets	**136,000**	—
Current assets	**44,846**	17,967
	180,846	17,967

(i) Amounts recognised in profit or loss

During the year, the following gains were recognised in consolidated statement of comprehensive income:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Fair value gains on equity investments at FVPL recognised in fair value change in financial assets at FVPL *(Note 31)*	**7,640**	1,665

	31 December 2021 RMB'000	31 December 2020 RMB'000
Balance at 1 January	**17,967**	3,311
Purchase of financial assets at fair value through profit or loss	**185,270**	17,175
Proceeds from disposal of financial assets at fair value through profit or loss	**(27,383)**	(3,061)
Fair value gains on equity investments	**7,640**	1,665
Exchange loss	**(2,648)**	(1,123)
Balance at 31 December	**180,846**	17,967

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(i) Amounts recognised in profit or loss (Continued)

As at 31 December 2021, held-for-trading investments represented the Group's equity investments in certain Hong Kong listed companies, which were quoted in the Stock Exchange.

The fair value of all equity securities is based on their current bid prices in an active market and the fair values are within level 1 of the fair value hierarchy (Note 3.3).

(i) On 22 October 2021, the Group entered into a share subscription agreement and became a limited partner of Shenzhen Xianlin Number One Venture Capital Partnership (Limited Partnership)* (深圳市賢林一號創業投資合夥企業(有限合夥)) ("Shenzhen Xianlin"), at a commitment of RMB680,000,000.

The Group's accumulated capital injection amounted to RMB136,000,000 as at year ended 31 December 2021. The Group held 68% equity interest of Shenzhen Xianlin.

Shenzhen Xianlin would invest in small and medium-sized enterprises that principally engaged in entertainment, technology, media and telecommunication industries in the PRC.

As at 31 December 2021, the fair value of the equity interest in the Group was approximately RMB136,000,000.

The fair value of the investment fund is within level 3 of the fair value hierarchy (Note 3.3).

* For identification purpose only

18 CASH AND CASH EQUIVALENTS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash at banks	**1,139,406**	1,031,061
Cash on hand	**57**	31
	1,139,463	1,031,092

18 CASH AND CASH EQUIVALENTS (Continued)

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000
HK$	**714,438**	88,045
RMB	**406,178**	314,177
US$	**18,847**	628,738
Other currencies	**—**	132
	1,139,463	1,031,092

As at 31 December 2021, the Group has cash and bank balances amounting to approximately RMB406,178,000 (2020: RMB314,177,000) which are held in the PRC. These cash and bank balances are subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

19 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000
At 1 January 2020	74,611,669,087	150,172	4,454,940
Issue of new shares upon exercises of warrants	6,191,496,938	11,056	56,207
At 31 December 2020 and 1 January 2021	80,803,166,025	161,228	4,511,147
Share Consolidation *(Note (a))*	(72,722,849,423)	—	—
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax *(Note 35)*	1,154,330,943	19,239	3,241,746
At 31 December 2021	9,234,647,545	180,467	7,752,893

Note (a): Pursuant to the share consolidation approved by the shareholders, every ten issued ordinary shares of Company had been consolidated into one ordinary share ("share consolidation"). The share consolidation became effective as from 20 January 2021.

Dividend

The directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

20 OTHER RESERVES

	Note	Warrants reserve RMB'000	Financial assets at FVOCI RMB'000	Special reserve RMB'000	Capital Surplus RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
Balance at 1 January 2020		(168)	(223)	18,888	—	24,291	35,797	—	1,153	1,152	80,890
Changes in the fair value of debt instruments at FVOCI		—	(43)	—	—	(35)	—	—	—	—	(78)
Currency translation difference		—	—	—	—	(47,223)	—	—	—	—	(47,223)
Deemed contribution from a former shareholder		—	—	—	9,471	—	—	—	—	—	9,471
Issue of new shares upon exercise of warrants		162	—	—	—	—	—	—	—	—	162
Transfer to statutory reserves	*(a)*	—	—	—	—	—	3,253	—	—	—	3,253
Transfer to accumulated losses upon expiry of warrants		6	—	—	—	—	—	—	—	—	6
Balance at 31 December 2020		—	(266)	18,888	9,471	(22,967)	39,050	—	1,153	1,152	46,481

	Note	Warrants reserve RMB'000	Financial assets at FVOCI RMB'000	Special reserve RMB'000	Capital Surplus RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
Balance at 1 January 2021		—	(266)	18,888	9,471	(22,967)	39,050	—	1,153	1,152	46,481
Changes in the fair value of debt instruments at FVOCI		—	(10)	—	—	(4)	—	—	—	—	(14)
Currency translation difference		—	—	—	—	(6,122)	—	—	—	—	(6,122)
Release of reserves upon deregistration of subsidiaries	*(a)*	—	—	—	—	—	(8,708)	—	—	—	(8,708)
Employees share option scheme: — share-based compensation expenses	*(b)*	—	—	—	—	—	—	8,603	—	—	8,603
Balance at 31 December 2021		—	(276)	18,888	9,471	(29,093)	30,342	8,603	1,153	1,152	40,240

(a) Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve fund can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(b) The share option reserve represents the fair value of the number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 2.24.

21 SHARE-BASED PAYMENT

A share option scheme ("Share Option Scheme") was approved on 31 October 2013 by the shareholders of the Company. Share options are granted to selected senior management and employees of the Company. The options have a contractual option term of ten years. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash.

On 26 November 2021, options of 181,917,000 shares were conditionally granted under the Share Option Scheme and the exercisable period is from 26 November 2021 to 25 November 2031.

No share option granted was exercised during the years ended 31 December 2021.

(a) The following table discloses details of the Company's share options held by employees and movements in such holdings for the year ended 31 December 2021:

Date of grant	**Exercise price** HK$	**Vesting period**	**Exercisable period**	**Outstanding At 31 December 2021** (thousands)
26 November 2021	3.43	26 November 2022 – 25 November 2031	26 November 2022 – 25 November 2027	9,096
26 November 2021	3.43	26 November 2022 – 25 November 2031	26 November 2023 – 25 November 2028	18,192
26 November 2021	3.43	26 November 2022 – 25 November 2031	26 November 2024 – 25 November 2029	27,288
26 November 2021	3.43	26 November 2022 – 25 November 2031	26 November 2025 – 25 November 2030	54,575
26 November 2021	3.43	26 November 2022 – 25 November 2031	26 November 2026 – 25 November 2031	72,766
				181,917

21 SHARE-BASED PAYMENT (Continued)

(b) The total number of share options of the Share Option Scheme outstanding was 181,917,000 and the average exercise prices was HK$3.43.

The fair values were calculated using the Binomial Option Pricing model at the date of grant.

For the year ended 31 December 2021, the total expenses for share options granted to employees amount to RMB8,603,000 had been recognised as and included in "employee benefit expenses" in the consolidated statement of comprehensive income.

22 BORROWINGS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Unsecured		
Borrowings — non-current	**1,373,018**	—
Borrowings — current	**150,000**	—
Total borrowings	**1,523,018**	—

The unsecured non-current borrowings are denominated in HK$, non-interest bearing and repayable after 5 years. Imputed interest has been deducted from the principal at initial recognisation.

The unsecured current borrowings are denominated in RMB, carry fixed interest rate at 7.5% per annum. The carrying amounts of current borrowings approximate their fair values.

The weighted effective interest rates of borrowings were 1.5% per annum during the year (2020: Nil).

The Group's borrowings were repayable as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 1 years	**150,000**	—
Between 2 and 5 years	**1,373,018**	—

23 DEFERRED INCOME TAX

The movements in deferred tax assets and liabilities were as follows:

Deferred tax assets

	31 December 2021 RMB'000	31 December 2020 RMB'000
The balance comprises temporary differences attributable to:		
— Loss allowance for trade and other receivables	**306**	968
— Amortisation of intangible assets	**—**	1,215
— Temporary difference of right-of-use assets	**1,387**	1,097
	1,693	3,280

Movement	Tax losses RMB'000	Loss allowance for trade and other receivables RMB'000	Amortisation of intangible assets RMB'000	Temporary difference of right-of-use assets RMB'000	Total RMB'000
At 1 January 2020	5,753	47	1,359	136	7,295
(Charged)/credited to the consolidated statement of comprehensive income	(5,753)	921	(144)	961	(4,015)
At 31 December 2020	—	968	1,215	1,097	3,280

Movement	**Tax losses RMB'000**	**Loss allowance for trade and other receivables RMB'000**	**Amortisation of intangible assets RMB'000**	**Temporary difference of right-of-use assets RMB'000**	**Total RMB'000**
At 1 January 2021	**—**	**968**	**1,215**	**1,097**	**3,280**
Acquired from business combination	**2,014**	**—**	**—**	**—**	**2,014**
(Charged)/credited to the statement of comprehensive income	**(2,014)**	**(662)**	**(1,215)**	**290**	**(3,601)**
At 31 December 2021	**—**	**306**	**—**	**1,387**	**1,693**

23 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities

	31 December 2021 RMB'000	31 December 2020 RMB'000
The balance comprises temporary differences attributable to:		
— Amortisation of film and television programme rights	(330,847)	—
— Amortisation of intangible assets	(171,111)	—
	(501,958)	—

Movement	Amortisation of film and television programme rights RMB'000	Amortisation of intangible assets RMB'000	Total RMB'000
At 1 January 2021	—	—	—
Acquired from business combination	(327,678)	(171,688)	(499,366)
(Charged)/credited to the consolidated statement of comprehensive income	(3,168)	576	(2,592)
At 31 December 2021	(330,846)	(171,112)	(501,958)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately RMB764,237,000 (2020: approximately RMB625,450,000) in respect of tax losses amounting to RMB4,578,591,000 (2020: RMB3,996,963,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. Tax losses of approximately RMB107,775,000 (2020: approximately RMB59,315,000) arising from the PRC subsidiaries will expire in various dates up to 2026 (2020: 2025). Other tax losses may be carried forward indefinitely.

Deferred income tax liabilities of RMB24,632,000 (2020: RMB12,260,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totaled RMB492,633,000 at 31 December 2021 (2020: RMB245,204,000).

24 TRADE PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade payables	**50,418**	8,116

Trade payables were denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000
— RMB	**49,475**	7,578
— HK$	**906**	472
— US$	**37**	66
	50,418	8,116

The ageing analysis of trade payables of the Group based on invoice date is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 60 days	**33,269**	4,858
61 days to 150 days	**13,035**	2,916
Over 151 days	**4,114**	342
	50,418	8,116

The average credit period on purchases of goods is 90 days. The carrying amounts of trade payables approximate their fair values as at 31 December 2021 and 2020.

25 FILM AND TELEVISION PROGRAMMES INVESTMENT FUNDS FROM INVESTORS

	31 December 2021 RMB'000
Film and television programmes investment funds from investors	
— Third parties	410,850
— Related parties *(Note 38(d))*	148,208
	559,058

The amounts represent investments made by certain investors in respect of film and television programmes rights held by the Group. In accordance with the terms of the respective investment agreements, the investors are entitled to recoup their investment amounts as appropriate by the predetermined percentage of income to be generated from the films and television programmes.

The carrying amounts of film and television programmes investment funds from investors approximate their fair values and are denominated in RMB.

26 OTHER PAYABLES AND ACCRUALS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Other payables	**36,659**	44,995
Accrued expenses	**7,142**	8,251
Provisions for other taxes	**33,297**	6,550
Amount due to related parties *(Note 38(d))*	**3,505**	307
	80,603	60,103

Other payables and accruals were denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000
— RMB	**70,966**	57,650
— HK$	**8,919**	2,408
— US$	**718**	45
	80,603	60,103

The carrying amounts of other payables approximate their fair values as at 31 December 2021 and 2020.

27 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Employees benefit expenses (including directors' emoluments) *(Note 28)*	113,538	85,567
Content costs	561,387	—
Content distribution and promotion cost	212,747	—
Cost of inventories sold	50,357	86,388
Amortisation		
— Film and television programmes rights *(Note 15)*	441,691	—
— Intangible assets *(Note 8)*	2,972	894
Depreciation		
— Property, plant and equipment *(Note 6)*	4,997	6,332
— Right-of-use assets *(Note 7)*	13,774	8,316
Advertising and promotion costs	9,331	9,592
Bandwidth and server custody fees	46,830	—
Distribution cost and payment handling fees	105,398	—
Software service fee	—	7,892
Rental expense	5,499	4,260
Travelling expense	4,836	5,025
Research and development expenses	11,732	7,307
Legal and professional fees	21,045	3,507
Auditors' remunerations		
— Audit services	3,667	2,600
— Non-audit services	929	3,826
Net reversal of write-down of inventories	(2,789)	(6,150)
Others	76,885	16,107
	1,684,826	241,463

28 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Wages and salaries	80,321	74,561
Pension costs — statutory pension *(Note (b))*	7,997	1,183
Staff welfare	12,172	7,871
Medical benefits	4,445	1,952
Share-based compensation	8,603	—
	113,538	85,567

(a) Five highest paid individuals

During the year ended 31 December 2021, 1 of the 5 highest paid individuals is director (for the year ended 31 December 2020: Nil of the five highest paid individuals are directors) whose emoluments are reflected in the analysis shown in Note 41. The emoluments of the remaining 4 (for the year ended 31 December 2020: five) individual employees were as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Salaries and other benefits	7,269	6,836
Bonuses	1,025	134
Retirement scheme contributions	361	23
	8,655	6,993

The emoluments fell within the following bands:

	No. of employees 31 December 2021	31 December 2020
HK$500,000 to HK$1,000,000	—	2
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	1	—
HK$3,500,001 to HK$4,000,000	1	1
	4	5

28 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

There was no forfeited contribution utilized to offset employers' contributions for the year ended 31 December 2021 (2020: Nil). There was no forfeited contribution available to reduce the contribution payable in the future year as at 31 December 2021 (2020: Nil).

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Gross scheme contributions	**7,997**	1,183

29 OTHER INCOME

	31 December 2021 RMB'000	31 December 2020 RMB'000
Subleasing income	**—**	8,069
Income from network equipment usage and maintenance service *(Note 38(b))*	**—**	7,327
Government grants	**3,592**	2,429
Tax credit of input tax additional deduction	**4,056**	—
Dividend income from financial assets at FVPL	**—**	8
Dividend income from financial assets at FVOCI	**34**	40
Sundry income	**—**	579
Total other income	**7,682**	18,452

30 OTHER EXPENSES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Subleasing expenses	—	2,928

31 OTHER GAINS — NET

	31 December 2021 RMB'000	31 December 2020 RMB'000
Fair value change in contingent consideration payable	362,172	—
Fair value change in financial assets at FVPL	7,640	1,665
Penalty income	420	2,948
Realised gain on financial assets at FVPL	5	—
Net loss on disposal of property, plant and equipment	—	(6)
Write-off of property, plant and equipment	(3,192)	—
Write-off of intangible assets	(1,934)	—
Write-off of long term prepayments	(3,821)	—
Others	948	567
Total other gains — net	362,238	5,174

32 FINANCE INCOME — NET

	31 December 2021 RMB'000	31 December 2020 RMB'000
Finance costs:		
— Interests expenses on borrowings	(9,420)	(1,156)
— Interests expenses on lease liabilities	(2,007)	(1,114)
— Imputed interest expense	(23,118)	—
	(34,545)	(2,270)
Finance income:		
— Interest income on saving deposits	6,292	13,218
— Interest income on loan receivables	2,480	—
— Imputed interest income	373,901	—
	382,673	13,218
Finance income — net	348,128	10,948

33 INCOME TAX EXPENSES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current income tax		
— Provision for the year	(135,560)	(2,364)
— Adjustments for current income tax of prior years	—	2,273
Total current income tax expense	(135,560)	(91)
Deferred income tax	(6,193)	(4,015)
Income tax expenses	(141,753)	(4,106)

33 INCOME TAX EXPENSES (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Profit before income tax	**1,315,345**	16,128
Tax calculated at the tax rates applicable to profits in the respective jurisdictions	**230,819**	5,439
Adjustments for current income tax of prior years	**—**	(2,273)
Adjustments for previously recognised tax losses and timing differences	**(993)**	(231)
Income not subject to tax	**(98,503)**	(207)
Tax losses and temporary differences for which no deferred income tax asset was recognised	**25,299**	2,549
Expenses not deductible for tax purposes	**6,522**	1,753
Utilisation of tax losses previously not recognised	**(21,391)**	(1,065)
Utilisation of temporary differences previously not recognised	**—**	(1,859)
	141,753	4,106

Bermuda corporate tax

The Company is incorporated in the Bermuda under the Companies Act 1981 of Bermuda and, accordingly, are exempted from the Bermuda corporate tax.

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the year ended 31 December 2021 (year ended 31 December 2020: Nil).

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25%, except for subsidiaries of the Group which are entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% in 2021 (for the year ended 31 December 2020: 15%) on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof.

34 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the share consolidation effective on 20 January 2021, whereby every ten issued and unissued then existing shares of the Company were consolidated into one consolidated share.

	31 December 2021	31 December 2020
Profit attributable to equity holders of the Company (RMB'000)	**1,173,652**	12,022
Weighted average number of ordinary shares in issue (thousands)	**9,174,559**	8,061,399
Basic earnings per share (RMB cents per share) for the year	**12.792**	0.149

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share warrants.

The number of shares that would have been issued assuming the exercise of the share warrants less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	31 December 2021	31 December 2020
Weighted average number of ordinary shares for calculation of basic earnings per share (thousands)	**9,174,559**	8,061,399
Adjustment for:		
— share warrants (thousands)	**480,269**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**9,654,828**	8,061,399

One-third of the Group's share warrants which specific conditions were met as at 31 December 2021 were included in the calculation of the diluted earnings per share for the year ended 31 December 2021.

34 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

The calculation of the diluted profit for the year ended 31 December 2021 is based on the profit for the year attributed to equity holders of the Company, adjusted to reflect the changes in the gain or loss that would result from the conversion of the dilutive potential ordinary shares.

	31 December 2021	31 December 2020
Profit attributable to equity holders of the Company (RMB'000)	1,173,652	12,022
Adjustments for fair value change of share warrants	106,177	—
Profit attributable to the equity holders of the Company used in calculating diluted earnings per share	1,067,415	8,061,399
Diluted earnings per share (RMB cents per share) for the year	11.056	0.149

The share options granted by the Company should also have potential dilutive effect on the earnings per share. During the year ended 31 December 2021, these share options has anti-dilutive effect to the Group's diluted earnings per share.

35 BUSINESS COMBINATION

On 20 January 2021 ("acquisition date"), the Group completed its acquisition ("Acquisition") of 100% of all issued shares in Virtual Cinema, which, together with its subsidiaries and variable interest entities, are principally engaged in film and television programme production and online streaming platform.

The consideration of the Acquisition was settled by a combination of (i) HK$3,913,182,000 (approximately RMB3,260,985,000) of the consideration settled in 1,154,330,943 shares (after share consolidation) at the issue price of HK$3.39 (after share consolidation); and (ii) a maximum of HK$2,907,300,000 (approximately RMB2,422,750,000) of the consideration settled by way of allotment and issue at maximum 1,834,279,307 warrants (after share consolidation) at the initial warrants exercise price of HK$0.96 (after share consolidation) per each warrant.

The actual number of warrants to be issued is subject to the net profit of Virtual Cinema in a specified time frame following the Acquisition.

Based on the final purchase price allocation, the following table summarises the consideration paid for Virtual Cinema and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Consideration as at acquisition date	**RMB'000**
Fair value of share consideration	3,260,985
Fair value of contingent warrants consideration	2,422,750
Total consideration as at acquisition date	5,683,735

35 BUSINESS COMBINATION (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	RMB'000
Property, plant and equipment	806
Right-of-use assets	1,208
Intangible assets	687,308
Prepayments for film and television programmes rights	12,213
Film and television programmes rights	1,651,391
Trade and other receivables and prepayments	135,677
Inventories	104
Cash and cash equivalents	89,986
Deferred tax assets	2,014
Trade and other payables	(282,617)
Amount due to shareholder	(67,810)
Film and television programmes investment funds from investors	(152,564)
Current income tax liabilities	(2,326)
Contract liabilities	(16,600)
Lease Liabilities	(1,265)
Borrowings	(155,000)
Deferred tax liabilities	(499,366)
Total identifiable net assets acquired	1,403,159
Non-controlling interests	(1,853)
Assignment of shareholder's loan	67,810
Goodwill on business combination	4,214,619
	5,683,735

Net cash inflow arising on acquisition of business

	RMB'000
Cash considerations paid in the period	—
Add cash and cash equivalents in the subsidiaries acquired	89,986
Cash inflow as at acquisition date	89,986

35 BUSINESS COMBINATION (Continued)

Notes:

(i) Goodwill on business combination

The Group recognised the goodwill of approximately RMB4,214,619,000 as a result of the business combination. The main reason giving rise to the goodwill is the synergy brought to the Group from the combination of film and platform business.

(ii) Acquisition-related costs

Acquisition-related costs of RMB11,377,000 are included in administrative expenses.

(iii) Acquired trade and other receivables

The carrying amounts of trade and other receivables approximated their fair values. The gross contractual amount for trade receivables due is RMB69,602,000.

(iv) Non-controlling interest

The non-controlling interest of acquired subsidiaries at the acquisition date was measured by proportionate share of recognised amounts of net assets amounted to RMB1,853,000.

(v) Revenue and profit contribution

The acquired business contributed revenues of RMB2,215,072,000 and net profit of RMB557,997,000 to the Group for the period from 20 January 2021 to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the full year ended 31 December 2021 would have been RMB2,276,199,000 and RMB600,995,000 respectively.

Contingent consideration payable *(Note)*	**RMB'000**
As at 1 January 2021	
Issued as consideration for business combination	2,422,750
Fair value change of the contingent consideration payable *(Note 31)*	(362,172)
At 31 December 2021	2,060,578

Represented by:	**RMB'000**
Current portion	686,859
Non-current portion	1,373,719
	2,060,578

35 BUSINESS COMBINATION (Continued)

Note:

The fair value of the contingent consideration arrangement as at 31 December 2021 was determined by using binomial option pricing model based on the valuation undertaken by an external independent valuer. The inputs into the model as at 31 December 2021 are as follows:

Stock price (HK$)	2.95
Expected volatility (%)	54.4–55.4
Weighted probability to achieve performance target ("probability") (%)	66

The fair value of the contingent consideration payable as at 31 December 2021 is categorised as Level 3 under the fair value hierarchy. A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs to the fair value measurement is set out below:

Significant unobservable inputs	**Relationship of unobservable inputs to fair value**	**Sensitivity analysis**
Stock price	The higher the stock price, the lower the fair value of contingent consideration payable	5% increase/(decrease) in the stock price would result in (decrease)/increase in fair value by approximately (RMB147,904,000)/ RMB149,942,000
Volatility	The higher the volatility, the lower the fair value of contingent consideration payable	5% increase/(decrease) in volatility would result in (decrease)/increase in fair value by approximately (RMB3,067,000)/RMB5,105,000
Probability	The higher the probability, the higher the fair value of contingent consideration payable	5% increase/(decrease) in probability would result in increase/(decrease) in fair value by approximately RMB103,029,000/(RMB103,029,000)

The contingent consideration are 18,342,793,070 Warrants at the initial Warrants Exercise Price of HK$0.096 per Warrant Share (the "Warrants"). Upon the Share Consolidation, the amount of Warrants are reduced to 1,834,279,307 with Exercise Price of HK$0.96 per Warrant Share.

The warrants are divided into three tranches being 611,426,436 warrants for tranche 1, 611,426,436 warrants for tranche 2, and 611,426,435 for tranche 3.

The contingent consideration payable at maximum of 1,834,279,307 new shares are subject to the consolidated net profit after income tax of Virtual Cinema during the period of three years, financial year 2021 ("FY2021"), financial year 2022 ("FY2022") and financial year 2023 ("FY2023").

Warrants Exercise Conditions under each tranche are the consolidated net profits after income tax ("Net Profit") of Virtual Cinema for FY2021, FY2022 and FY2023 equals to or is more than RMB400,000,000, RMB500,000,000 and RMB600,000,000 correspondingly.

If the Tranche 1 Warrants Exercise Condition shall not be satisfied but the Net Profits for FY2021 and FY2022 in aggregate exceed RMB900,000,000, warrants holder can exercise the outstanding Tranche 1 Warrants and the Outstanding Tranche 2 Warrants.

If both the Tranche 1 Warrants Exercise Condition and the Tranche 2 Warrants Exercise Condition not be satisfied, but the Net Profits for FY2021, FY2022 and FY2023 in aggregate exceed RMB1,500,000,000, the warrants holder can exercise the Outstanding Tranche 1 Warrants, the Outstanding Tranche 2 Warrants and the Outstanding Tranche 3 Warrants.

Notwithstanding anything provided above, if the Tranche 1 Warrants Exercise Condition or/and the Tranche 2 Warrants Exercise Condition not be satisfied, but the Net Profits for FY2021, FY2022 and FY2023 in aggregate exceed RMB1,200,000,000, warrants holder will entitled to exercise by proportion.

36 CASH FLOW INFORMATION

(a) Cash used in operations

	31 December 2021 RMB'000	31 December 2020 RMB'000
Profit before income tax	**1,315,405**	16,128
Adjustments for:		
Depreciation of property, plant and equipment *(Note 6)*	**4,997**	6,332
Depreciation of right-of-use assets *(Note 7)*	**13,774**	8,316
Amortisation of intangible assets *(Note 8)*	**2,972**	894
Amortisation of film and television programme right	**441,691**	—
Net change in fair value of financial assets at FVPL *(Note 17)*	**(7,640)**	(1,665)
Net Fair value change of contingent warrants consideration *(Note 31)*	**(362,172)**	—
Net impairment losses on financial assets *(Note 3.1(d))*	**35,612**	4,169
Dividend income from financial assets at FVPL *(Note 29)*	**—**	(8)
Dividend income from financial assets at FVOCI *(Note 29)*	**—**	(40)
Net losses on disposal of property, plant and equipment *(Note 30)*	**—**	6
Write-off of property, plant and equipment *(Note 31)*	**3,192**	—
Write-off of intangible assets *(Note 31)*	**1,934**	—
Write-off of long term prepayment	**3,821**	—
Share-based compensation expenses *(Note 28)*	**8,603**	—
Shares of losses of associates	**337**	—
Release of reserves upon deregistration	**(8,708)**	—
Finance income — net *(Note 32)*	**(348,128)**	(10,948)
Changes in working capital:		
Inventories	**6,687**	21,477
Trade receivables	**(1,348,510)**	(49,079)
Other receivables and prepayments	**(6,646)**	13,936
Prepayments for film and television programmes rights	**(62,187)**	—
Film and television programmes investment funds from investors	**406,494**	—
Film and television programmes rights	**(1,372,173)**	—
Trade payables	**(240,315)**	(7,438)
Contract liabilities	**(4,713)**	(13,947)
Other payables	**46,420**	(231,128)
Cash used in operations	**(1,469,253)**	(242,995)

36 CASH FLOW INFORMATION (Continued)

(b) Net debt reconciliation

	Liabilities from financial activities				
	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2020	(13,471)	(6,654)	(53,571)	—	(73,696)
Financing cash flows	9,748	—	53,571	—	63,319
Acquisition-leases	(2,242)	(11,099)	—	—	(13,341)
Foreign exchange adjustments	5,381	183	—	—	5,564
Other non-cash movements	(4,343)*	5,759	—	—	1,416
Net debt as at 31 December 2020	(4,927)	(11,811)	—	—	(16,738)

	Liabilities from financial activities				
	Lease liabilities due within 1 year RMB'000	**Lease liabilities due after 1 year RMB'000**	**Borrowings due within 1 year RMB'000**	**Borrowings due after 1 year RMB'000**	**Total RMB'000**
Net debt as at 1 January 2021	**(4,927)**	**(11,811)**	**—**	**—**	**(16,738)**
Financing cash flows	**14,764**	**—**	**5,000**	**(1,723,801)**	**(1,704,037)**
Acquisition-leases	**(25,307)**	**(26,797)**	**—**	**—**	**(52,104)**
Acquire from business combination	**(1,295)**	**—**	**(155,000)**	**—**	**(156,295)**
Other non-cash movements	**3,234**	**11,811**	**—**	**350,783**	**365,828**
Net debt as at 31 December 2021	**(13,531)**	**(26,797)**	**(150,000)**	**(1,373,018)**	**(1,563,346)**

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

* The other non-cash movements mainly included lease liabilities of RMB5,759,000 transferred from the non-current portion, net of lease liabilities of RMB1,416,000 derecognised arising from the early termination of relevant lease contracts.

37 COMMITMENTS

(a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Not later than one year	**463**	403

(b) Capital commitments

As at 31 December 2021, capital commitment contracted but no provided for was as follow:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contribute to an investment fund	**544,000**	—

38 RELATED PARTY BALANCES AND TRANSACTIONS

The directors are of the view that the following companies and party were major shareholders of the Group as at year ended:

Major shareholders' share percentage in the Company:	**As at 31 December 2021**
Mr. Ke Liming ("Mr. Ke")	**20.50%**
Water Lily Investment Limited (a wholly owned subsidiary of Tencent Holdings Limited) ("Tencent")	**19.70%**
Allied Resources Investment Holding Limited	**18.00%**

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

In addition to those disclosed elsewhere in the financial statements, during the years ended 31 December 2021 and 2020, the Group had the following significant transactions and balances with related parties, which are carried out in the normal course of the Group's business:

(a) Name and relationship with related parties

Name	Relationship
Mascotte Investments Limited	A company in which a key management personnel of the Group has controlling interest
Evergrande Internet Financial Services (Shenzhen) Co., Ltd. ("恒大互聯網金融服務(深圳)有限公司")	A subsidiary of former shareholder (ceased to be a related party since 17 November 2021)
Guangzhou Jiasui Property Co., Ltd. ("廣州市佳穗置業有限公司")	A subsidiary of former shareholder (ceased to be a related party since 17 November 2021)
Hengda Intelligent Technology (Shenzhen) Co., Ltd. ("恒大智慧科技(深圳)有限公司")	A subsidiary of former shareholder (ceased to be a related party since 17 November 2021)
Shenzhen Evergrande Materials and Equipment Co., Ltd. ("深圳恒大材料設備有限公司")	A subsidiary of former shareholder (ceased to be a related party since 17 November 2021)
Evergrande Jinbi Property Management Co.,Ltd. ("金碧物業集團有限公司")	A subsidiary of former shareholder (ceased to be a related party since 17 November 2021)
Beijing Zhumeng Qiming Culture & Arts Co., Ltd. ("北京築夢啟明文化藝術有限公司")	Controlled by Mr. Ke
Beijing Ruyi Xingrong Culture Media Co., Ltd. ("北京儒意興榮文化傳媒有限公司")	Controlled by Mr. Ke
Beijing Ruyi Xinxin Film Investment Co., Ltd ("北京儒意欣欣影業投資有限公司")	Controlled by Mr. Ke
Shenzhen Tencent Computer Systems Company Limited ("深圳市騰訊計算機系統有限公司")	Controlled by Tencent
Tencent Film Culture Communication Co., Ltd ("騰訊影業文化傳播有限公司")	Controlled by Tencent

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Transactions with related parties

	31 December 2021 RMB'000	31 December 2020 RMB'000
(i) Rental expenses:		
Guangzhou Jiasui Property Co., Ltd. *(Note)*	**1,513**	2,083
Mascotte Investments Limited	**1,200**	1,286
	2,713	3,369

	31 December 2021 RMB'000	31 December 2020 RMB'000
(ii) Property Management Expenses:		
Evergrande Jinbi Property Management Co.,Ltd. *(Note)*	**244**	403

	31 December 2021 RMB'000	31 December 2020 RMB'000
(iii) Revenue from network equipment usage and maintenance service:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	**—**	7,327

Note: During the year ended 31 December 2021, these transactions constituted connected transactions (including continuing connected transactions) of the Group under the Rules Governing the Listing of Securities on the Stock Exchange.

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Key management compensation		
— Salaries and other employee benefits	6,375	3,686
— Share-based payments	2,743	—
	9,118	3,686

(d) Balances with related parties

As at 31 December 2021 and 2020, the Group had the following significant balances with related parties:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Due from related parties:		
— Beijing Ruyi Xingrong Culture Media Co., Ltd *(i)*	800	—
— Beijing Ruyi Xinxin Film Investment Co., Ltd *(i)*	31,218	—
— Beijing Zhumeng Qiming Culture & Arts Co., Ltd. *(i)*	1,300	—
— Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	—	7,280
— Guangzhou Jiasui Property Co., Ltd.	—	1,157
— Hengda Intelligent Technology (Shenzhen) Co., Ltd. *(i)*	—	4,736
— Shenzhen Evergrande Materials and Equipment Co., Ltd. *(i)*	—	11,964
	33,318	25,137

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) Balances with related parties (Continued)

	31 December 2021 RMB'000	31 December 2020 RMB'000
Due to related parties :		
— Beijing Ruyi Xinxin Film Investments Co., Ltd *(iv)*	**3,105**	—
— Evergrande Jinbi Property Management Co.,Ltd. *(ii)*	**—**	307
— Shenzhen Tencent Computer Systems Company Limited *(iii)*	**13,208**	—
— Tencent Film Culture Communication Co., Ltd *(iii)*	**135,000**	
— Yongxin Changqingteng Culture Service Center (Limited Partnership) *(iv)*	**400**	—
	151,713	307

(i) Amounts due from related parties mainly represented the payment of expenses on behalf of the related parties, which are unsecured, interest-free and receivable on demand.

(ii) Amounts due to related parties mainly represented the property management fee payable, rental fee payable and payments of expenses by former ultimate holding company on behalf of the Group, which are unsecured, interest-free and repayable on demand.

(iii) Amounts due to related party mainly represented the investment amounts predetermined by the percentage of income to be generated from the films and television programmes.

(iv) Amounts due to related parties are unsecured, interest-free and repayable on demand.

39 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

(a) The following is a list of the principal subsidiaries and controlled structured entities of the Company as at 31 December 2021 and 2020:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%) 2021	Proportion of ordinary shares directly held by parent (%) 2020	Proportion of ordinary shares held by the Group (%) 2021	Proportion of ordinary shares held by the Group (%) 2020
Power Wave Holdings Limited	BVI	Investment holding, BVI	US$1	100%	100%	100%	100%
Mascotte Tak Ya (Dongguan) Leather Goods Manufactory Limited ("馬斯葛德雅(東莞)皮具製品有限公司") *(i)*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$10,400,000	—	—	100%	100%
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	Trading of accessories for photographic, electrical and multimedia product, Hong Kong	HK$2	—	—	100%	100%
Mascotte Dongguan Electricial Accessories Limited ("馬斯葛(東莞)電子配件有限公司") *(i)*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$1,500,000	—	—	100%	100%
Shenzhen HengTen Networks Services Co., Limited.("深圳市恒騰網絡服務有限公司") *(i)*	The PRC, limited liability company	Internet community services, the PRC	US$15,000,000	—	—	100%	100%
Beijing Xiaoming Zhumeng Data Service Co., Ltd. ("北京曉明築夢數據服務有限公司") *(i)(ii)*	The PRC, limited liability company	Contents development, production and service provision in the telecommunication industry	RMB400,000	—	N/A	100%	N/A
Shenzhen Jingxiu Network Technology Limited ("深圳市景秀網絡科技有限公司") *(i)(ii)*	The PRC, limited liability company	Data processing, technology development, promotion, transfer consulting and service	RMB3,000,000	—	N/A	100%	N/A
Shanghai Ruyi Movie Television Production Co., Ltd. ("上海儒意影視製作有限公司") *(i)(ii)*	The PRC, limited liability company	Radio television programme production and operation and film distribution	RMB3,000,000	—	N/A	100%	N/A

(i) The names of the companies represent management's best efforts of translating the Chinese names of these companies as no English names have been registered or available.

(ii) These are subsidiaries arising from the Contractual Arrangements (Note 2.2 (a)).

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2021 amounted to RMB6,165,000 (2020: RMB Nil). No subsidiary has non-controlling interests that are material to the Group.

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**5,069,326**	75,008
		5,069,326	75,008
Current assets			
Amounts due from subsidiaries		**—**	67,204
Other receivables and prepayments		**850**	1,240
Cash and cash equivalents		**729,374**	688,583
Financial assets at fair value through profit or loss		**—**	5,416
		730,224	762,443
Total assets		**5,799,550**	837,451
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**180,467**	161,228
Share premium	*(a)*	**7,752,893**	4,511,147
Other reserves	*(a)*	**(14,465)**	(16,134)
Accumulated losses	*(a)*	**(3,496,542)**	(3,824,198)
Total equity		**4,422,353**	832,043
LIABILITIES			
Non-current liabilities			
Borrowing		**1,373,018**	—
Current liabilities			
Other payables and accruals		**4,179**	5,408
Total liabilities		**1,377,197**	5,408
Total equity and liabilities		**5,799,550**	837,451

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2022 and was signed on its behalf.

Ke Liming
Director

Chen Xi
Director

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share premium RMB'000	Warrants reserve RMB'000	Contributed surplus RMB'000	Translation Reserve RMB'000	Share options reverse RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	4,454,940	(168)	63,481	(27,630)	—	(3,812,797)	677,826
Loss for the year	—	—	—	—	—	(11,401)	(11,401)
Issue of new shares upon exercise of New Warrants	56,207	162	—	—	—	—	56,369
Expiry of New Warrants	—	6	—	—	—	—	6
Currency translation difference	—	—	—	(51,985)	—	—	(51,985)
At 31 December 2020	4,511,147	—	63,481	(79,615)	—	(3,824,198)	670,815
At 1 January 2021	**4,511,147**	**—**	**63,481**	**(79,615)**	**—**	**(3,824,198)**	**670,815**
Profit for the year		**—**	**—**	**—**	**—**	**327,656**	**327,656**
Currency translation difference	**—**	**—**	**—**	**(6,934)**	**—**	**—**	**(6,934)**
Issue of ordinary shares as consideration for a business combination *(Note 35)*	**3,241,746**	**—**	**—**	**—**	**—**	**—**	**3,241,746**
Employees share option scheme: — share-based compensation expenses	**—**	**—**	**—**	**—**	**8,603**	**—**	**8,603**
At 31 December 2021	**7,752,893**	**—**	**63,481**	**(86,549)**	**8,603**	**(3,496,542)**	**4,241,886**

41 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every directors and the chief executive of the Company for the year ended 31 December 2021 is set out below:

	Fees RMB'000	Salary RMB'000 *(ix)*	Discretionary bonuses RMB'000	Share-based compensation RMB'000 *(x)*	Allowances and benefits in kind RMB'000	Contribution to pension scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors								
Ke Liming *(ii)*	70	711	1,161	—	—	4	—	1,946
Xu Wen *(iii)(v)*	172	—	—	—	—	8	—	180
Huang Xiangui *(iv)*	110	—	—	—	—	5	—	115
Wan Chao *(viii)*	—	—	—	—	—	—	—	—
Chen Cong *(i)(iv)*	—	—	—	—	—	—	—	—
Chen Xi *(vi)*	9	59	359	2,270	—	—	—	2,697
Zhang Qiang *(vi)*	6	39	579	473	—	—	—	1,097
Independent Non-executive directors								
Chau Shing Yim, David	300	—	—	—	—	—	—	300
Nie Zhixin	300	—	—	—	—	—	—	300
Chen Haiquan	300	—	—	—	—	—	—	300
Shi Zhuomin	300	—	—	—	—	—	—	300
	1,567	809	2,099	2,743	—	17	—	7,235

41 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every directors and the chief executive of the Company for the year ended 31 December 2020 is set out below:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Allowances and benefits in kind RMB'000	Contribution to pension scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors								
Xu Wen *(iii)(v)*	180	—	—	—	—	9	—	189
Huang Xiangui *(iv)*	180	—	—	—	—	9	—	189
Wan Chao *(viii)*	—	—	—	—	—	—	—	—
Liu Yongzhuo *(vii)*	88	—	—	—	—	4	—	92
Zhuo Yueqiang *(ix)*	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Chau Shing Yim, David	300	—	—	—	—	—	—	300
Nie Zhixin	300	—	—	—	—	—	—	300
Chen Haiquan	300	—	—	—	—	—	—	300
Shi Zhuomin	300	—	—	—	—	—	—	300
	1,648	—	—	—	—	22	—	1,670

There was no arrangement during the years ended 31 December 2021 and 2020 under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

41 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

(i) Mr. Chen Cong have been appointed as executive Director with effect from 20 January 2021.

(ii) Mr. Ke Liming has been appointed as an executive Director and chairman of the Board with effect from 11 August 2021.

(iii) Mr. Xu Wen has resigned as the chairman of the Board but will remain as an executive Director with effect from 11 August 2021.

(iv) Mr. Huang Xiangui has resigned as an executive Director with effect from 11 August 2021.

(v) Mr. Xu Wen and Mr. Chen Cong have been resigned as an executive directors of the Company with effect from 14 December 2021.

(vi) Ms. Chen Xi and Mr. Zhang Qing have been appointed as executive directors of the Company with effect from 14 December 2021.

(vii) Mr. Liu Yongzhuo has been resigned as an executive director and the chairman of the Board of the Company with effect from 26 June 2020.

(viii) Mr. Wan Chao has been appointed as an executive Director of the Company with effect from 16 June 2020.

(ix) Mr. Zhuo Yueqiang has resigned as an executive Director of the Company with effect from 16 June 2020.

(x) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(xi) The values of share-based compensation are based on the share based compensation recognised for the year.

41 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2021 (for the year ended 31 December 2020: Nil).

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

For the year ended 31 December 2021, the Group did not pay consideration to any third parties for making available directors' services (for the year ended 31 December 2020: Nil).

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

For the year ended 31 December 2021, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (for the year ended 31 December 2020: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

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 at the end of the year or at any time during the year.

FIVE YEARS FINANCIAL SUMMARY

The summary of results, assets and liabilities of the Group for last five financial years (extracted from published audited financial statements) is set forth as follows.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Turnover	**2,318,132**	230,114	337,300	499,419	261,750
Profit before tax	**1,315,405**	16,128	109,114	146,117	123,884
Income tax (charge)/credit	**(141,753)**	(4,106)	(17,041)	(20,861)	(31,032)
Profit for the year	**1,173,652**	12,022	92,073	125,256	92,852
Attributable to					
Owners of the company	**1,175,339**	12,022	90,065	124,496	96,216
Non-controlling interests	**(1,687)**	—	2,008	760	(3,364)
	1,173,652	12,022	92,073	125,256	92,852

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
ASSETS AND LIABILITIES					
Total assets	**10,619,892**	1,273,241	1,537,805	1,431,983	1,205,764
Total liabilities	**(5,000,476)**	(90,073)	(396,254)	(389,342)	(324,709)
Net assets	**5,619,416**	1,183,168	1,141,551	1,042,641	881,055
Equity attributable to owners of the Company	**5,613,251**	1,183,168	1,141,551	1,041,078	880,252
Non-controlling interests	**6,165**	—	—	1,563	803
	5,619,416	1,183,168	1,141,551	1,042,641	881,055