a metaverse company

A Metaverse Company

一 元 宇 宙 公 司

(incorporated in the Cayman Islands with limited liability)

Stock code: 1616

ANNUAL REPORT
2021

Contents

Corporate Information

Executive Directors

Mr. LIU Dong *(Chairman)*
Mr. LIU Zongjun *(Chief Executive Officer)*
Ms. CHEN Chen *(resigned on 1 June 2021)*
Ms. YANG Qinyan *(appointed on 1 June 2021)*
Mr. HE Han

Independent Non-executive Directors

Mr. LAM Kai Yeung
Ms. LIU Chen Hong
Mr. KWOK Pak Shing

Company Secretary

Ms. CHAN Yin Wah, FCG, HKFCG, FCCA

Authorised Representatives

Mr. LIU Dong
Ms. CHAN Yin Wah

Audit Committee

Mr. LAM Kai Yeung *(Chairman)*
Ms. LIU Chen Hong
Mr. KWOK Pak Shing

Remuneration Committee

Mr. KWOK Pak Shing *(Chairman)*
Mr. LIU Dong
Ms. LIU Chen Hong

Nomination Committee

Ms. LIU Chen Hong *(Chairman)*
Mr. LIU Dong
Mr. KWOK Pak Shing

Registered Office in the Cayman Islands

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104, Cayman Islands

Head Office, Headquarters and Principal Place of Business in the PRC

102, Tower C,
Shangkangcheng
No. 13, Zuojiazhuangdongli
Chaoyang District, Beijing
The PRC

Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East, Wanchai, Hong Kong

Corporate Information

Auditor

Moore Stephens CPA Limited *(appointed on 22 July 2022)*
Certified Public Accountants and Registered Public Interest Entity Auditor
801–806 Silvercord, Tower 1
30 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

KPMG *(resigned on 6 June 2022)*
Certified Public Accountants
Public Interest Entity Auditor
Registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance
Centre
16 Harcourt Road
Hong Kong

Cayman Islands Share Registrar and Transfer Office

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

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited
Level 6, HSBC Main Building,
1 Queen's Road Central, Hong Kong

Stock Code

1616

Company's Website Address

http://www.starrise.cn

Chairman's Statement

Dear Shareholders,

It is my pleasure to present on behalf of the board (the "**Board**" or "**Board of Directors**") of directors (the "**Directors**") of A Metaverse Company ("**A Metaverse**" or the "**Company**") the audited consolidated results of the Company together with its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Year**" or "**Period under Review**").

2021 was a year of challenges. The outbreak of a novel coronavirus disease related pneumonia (the "**COVID-19 Pandemic**" or the "**Epidemic**") since the beginning of 2020 has severely impacted the economy of China (or the "**PRC**") and the world. According to a report released by Chinese Academy of Social Sciences, the overall recovery of the consumption and service sections was relatively weak in 2021. During the period from 2017 to 2019 prior to the Epidemic, the period-on-period growth of the consumption roughly ranged from 0.7% to 0.8%. However, the growth was only 0.3% in the first half of 2021 and significantly slowed down to 0.1% in the second half of year, as it was affected by the Epidemic and other short-term impacts in the industry. Although China maintains a globally-leading position in economic development and epidemic prevention and control, it faces huge challenge to restore the development of the tertiary industry (mainly including the consumer services industry as well as the cultural and entertainment industry) back to the pre-epidemic level.

Due to the impact of the Epidemic, the box office revenue of Chinese movies and the number of filling applications of TV dramas significantly decreased in the past two years. The operating condition of the Group was adversely affected by the downward pressure in the macro economy and the film and television industry. In 2021, the distribution, filming and post-production progress of the Group's movies and TV dramas were affected by the Epidemic. Although six dramas invested in or produced by the Group were broadcast, the films and television dramas business failed to meet the previously planned expectation and scale in face of a slowdown in the overall economic development, sluggish economic recovery and intensified market competition, which had caused certain pressure on the Group's financial position.

Pressure can be a strong motivating force. In the long run, as an important pillar of the cultural industry, the film and television industry is still one of key industries with national support and promising prospect. With the introduction of strict rectification measures by the regulatory authorities in recent years, the film and television industry is gradually being standardised and the effect of revitalizing the industry through content is gradually appearing. During the Year, numerous movies and TV dramas with high quality and high reputation were released in the market, which were well-received by the audience and added more confidence in the recovery of the industry.

Chairman's Statement

Meanwhile, in order to mitigate the adverse impact of the Epidemic on the Group's operations and cope with the new trends, new challenges and new opportunities brought by the development of digital economy in various industries, as at the end of the Year, the Group attempted to seize the business opportunity in the metaverse field to diversify the Company's business and revenue source and explore new business opportunities.

In order to achieve the long-term development and provide better returns for the shareholders of the Company (the "**Shareholder(s)**"), the Group will actively leverage its own advantages, continue to focus on the film and television investment and production field, develop and explore high-quality intellectual property rights ("**IPs**") project resources, expand platform resources, improve product quality and diversify broadcasting and sales channels to sustain the Group's development.

Finally, I would like to take this opportunity to express my gratitude to the Directors, Shareholders, loyal customers and employees of the Company for their support and contributions.

By order of the Board

A Metaverse Company
LIU Dong
Chairman

Beijing, the PRC
14 June 2023

Financial Summary

in RMB'000	2021	2020 (Restated)	2019 (Restated)	2018	2017
	For the year ended 31 December				
RESULTS FROM CONTINUING OPERATION					
Revenue	**96,109**	94,120	284,183	352,326	77,129
(Loss)/profit before taxation	**(522,710)**	(291,219)	38,551	(143,230)	(117,214)
Income tax expenses	**(11,408)**	9,564	17,913	8,833	3,136
(Loss)/profit for the Year	**(534,118)**	(281,655)	20,638	(152,063)	(120,350)

in RMB'000	2021	2020 (Restated)	2019 (Restated)	2018	2017
	As at 31 December				
ASSETS AND LIABILITIES					
Total assets	**785,090**	1,304,486	2,001,437	2,109,078	1,857,424
Total liabilities	**345,819**	432,195	847,491	1,156,563	839,467
Net assets	**439,271**	872,291	1,153,946	952,515	1,017,957

Management Discussion and Analysis

Industry and Business Overview

In 2021, despite the reoccurrence of the COVID-19 Pandemic and the slower global economic recovery under the severe external situation, China maintained its leading position globally in economic growth and the prevention and control of the Epidemic. According to the National Bureau of Statistics of the PRC, China's gross domestic product ("**GDP**") exceeded RMB110 trillion in 2021, representing a growth of 8.1% over the previous year and an average growth of 5.1% over the last two years. China's total goods imports and exports reached RMB39.1 trillion in 2021, representing an increase of 21.4% over the previous year and exceeding US$6 trillion for the first time based on the average annual exchange rate. However, in terms of GDP growth rate on a quarterly basis, the economy has been rapidly declining quarter by quarter, with a quarter-on-quarter growth of 18.3% in the first quarter, 7.9% in the second quarter, 4.9% in the third quarter and 4.0% in the fourth quarter, presenting strong downward pressure.

According to the statistics of China Film Administration, the total box office of Chinese movies reached RMB47.258 billion in 2021, continuing to rank the first globally. But the box office revenue has decreased by RMB17.008 billion as compared with the pre-COVID-19 pandemic level of RMB64.266 billion in 2019. The total number of attendance was approximately 1,167 million for the Year, representing a decrease of nearly one third from 1,730 million in 2019. According to the research report of Endata, the growth in cinema construction continued to slow down during the Year and 728 old cinemas had closed. This shows that the recovery of the film industry is still facing tremendous pressure and challenges.

With regards to the television drama market, a total of 498 TV drama applications were filed in the Year, which significantly decreased as compared with the previous year. The figures were 1,231, 905 and 670 in 2018, 2019 and 2020, respectively. Under the impact of the policy of the National Radio and Television Administration "limiting the production of TV dramas and internet dramas to not exceeding 40 episodes and encouraging the dramas with 30 episodes or less", the average number of episodes has dropped to 33.1.

In 2021, due to the downward pressure of the economy and the film and television industry and policy, no drama of Beijing Huasheng Taitong Media Investment Co., Ltd.（北京華晟泰通傳媒投資有限公司）("**Huasheng Media**", a wholly-owned subsidiary of the Group), was broadcasted. However, Huasheng Media has been making continuous active efforts to promote the distribution and broadcast of existing dramas. Among the films and TV series invested or produced by Huasheng Media, the sitcom "The New Big Head Son and The Little Head Father (Episodes 101-200)"（新大頭兒子小頭爸爸101-200集）was aired on CCTV in January 2022 and the large-scale TV series "Legend of Businessman in Hongjiang"（一代洪商）was aired in March 2022 on CCTV; the historical story drama "Blood Pledge for Thousands of Years"（血盟千年）and the animated film "Warrior King"（雪域少年）are currently at the release stage; and the live-action sitcom "The New Big Head Son and The Little Head Father (Episodes 201-300)"（新大頭兒子小頭爸爸201-300集）, the TV drama "Wu Dang"（天下武當）, the realistic drama "Yangtze River Bridge"（長江大橋）has completed the stage of script writing; and the TV drama "Mountain, Snow and Dreams"（那山那雪那夢）, "Justice Is Beautiful"（正義是美麗的）and "Sanxiao Lane"（三孝巷）have reached the stage of script preparation.

In addition, the Group is able to leverage on the advantages in internet dramas, internet movies and reserve of diversified IP resources of Beijing Starrise Pictures Co., Ltd.（北京星宏影視文化有限公司）(“**Starrise Pictures**”) and Beijing Starwise Culture Media Co., Ltd.（北京睿博星辰文化傳媒有限公司）(“**Beijing Starwise**”), both of which are the wholly-owned subsidiaries of the Group, to develop a variety of films and dramas produced by the Group and to broaden the audience base of the Group's films and dramas.

Among the films and TV series invested by Starrise Pictures, the internet movie “Legend of Immortality – Sword Maker”（修仙傳之煉劍）(formerly known as “Sword Maker”（煉劍）) was released in February 2021; the youth song and dance film “The Day We Lit Up The Sky”（燃野少年的天空）was released in July 2021; the TV drama “The Three-Line”（大三線）(formerly known as “Kapok Blooms Everywhere”（木棉花開紅爛漫）) was aired on CCTV in September 2021; the internet movie “Police Story In The Northeast”（東北警察故事）(formerly known as “Manhunt”（極寒追惡）) was released in October 2021 and won multiple awards such as the 7th Beijing Television Artists Association Annual Excellent Online Film（第七屆北京電視藝術家協會年度優秀網路電影）and the 3rd China Online Film Week Annual Influential Director（第三屆中國網絡電影周年度影響力導演）; the internet movie “Hero”（奇俠義士）(formerly known as “Bosom Friend”（高山流水）and “The Box”（魔盒之高山流水）) was released in February 2022; the internet movie “Assault”（突擊）was released in January 2023; the youth nostalgic film “Once Upon A Time In The Northeast”（東北往事）, the theatrical film “Twin Blades”（尖鋒姐妹）(formerly known as “Li Xiaolong and Programmer Girl”（曆小龍與程序媛）), as well as the internet movie “Scream”（驚聲尖笑）(formerly known as “Horror Blockbuster”（恐不大片）) changed to online short drama and renamed as “Night Screaming”（一夜驚笑）are being submitted for screening; the youth nostalgic film “Here Comes Dashan”（大山來了）and the internet drama “Legend of Taotie”（饕餮記）are all currently at the release stage; the internet movies “Emergency Rescuing”（心跳營救）and “King of the Sniper”（狙擊之王）as well as the theatrical film “Tianta Crisis”（天塔危機）are currently at the stage of preparation for filming; the internet movies “New Tong Pak Foo Dim Chau Heung”（唐伯虎點秋香後傳）, “Elderly Hero”（遲暮英雄）, “The First Undercover in the Southern Song Dynasty – The Case of Demon Cat”（南宋第一臥底之妖貓案）, “Mystery Case in Ying Dynasty”（大應奇案生死簿）and “Amaranthine Epiphyllum”（雙世曇花）have completed the stage of script writing.

Among the films and TV series invested or produced by Beijing Starwise, the internet movie “Desperate Sniper”（絕地狙殺）(formerly known as “Deadly Sniper 2”（致命狙殺2）) was released in July 2021; the animated film “GO! REX”（你好，霸王龍）is currently at the stage of preparation for release as affected by the overall decline in box office; the internet drama “Her Fantastic Adventures”（第二次初見）(formerly known as “Back To The Dynasty”（午門囧事）) has completed its post-production process and was submitted for screening; the online drama “The Way to Glory”（魔鬼周）has obtained a shooting license and has been selected as a key literary and artistic masterpiece project of Beijing Great Media（北京大視聽）granted by the Beijing Municipal Radio and Television Bureau in 2023, which is at the stage of script adjustment; “The Iron Bone and Steel Fist”（鐵骨鋼拳）developed by Beijing Starwise was selected into the Youth Innovation Programme（青創計劃）of iQIYI and was given priority to enjoy platform support on funds and promotion, which is under preparation; the internet dramas “Long-Lost Summer”（隱秘之夏）(formerly known as “Platinum Data”（白金數據）), “Bulletproof Teacher”（穿越火線：防彈教師）, “Fiber”（纖維）, “Through the Storm”（玉骨瓷心）(formerly known as “Shiny Days”（雨過天晴雲開處）), “Limited Romance”（限定浪漫）and “The Iron Trophy”（鐵甲雄風）, all of which are valuable IP projects of Beijing Starwise, are all currently at the stage of script development and early investment.

For the film education segment, Starrise Pictures continued to develop cooperative colleges and universities to cultivate vocational talents for the film and television industry by leveraging on the resources and brand influence of the Group and all cooperative colleges and universities since Starrise Pictures entered into a cooperation agreement with Chongqing Normal University in 2019. By December 2021, the number of students in the Film and Television Media School jointly established with Chongqing Normal University reached 2,018 and the tuition fee received by the Group was approximately RMB9.30 million in 2021. The Group believes that the Film and Television Media School will provide stable income to the Group with a source of professional talents from various disciplines, further enhancing the competitiveness of the Company.

During the Period under Review, the Group's revenue was approximately RMB96.1 million, representing an increase of approximately RMB2.0 million as compared to that of the previous year. The Group's gross loss for the Year was approximately RMB13.8 million, representing a decrease in gross loss of approximately RMB3.4 million as compared to that of the previous year of approximately RMB17.2 million. The loss attributable to equity shareholders of the Company was approximately RMB533.8 million for the Year, which represented an increase in loss of approximately RMB252.2 million as compared to previous year's loss attributable to equity shareholders of the Company of approximately RMB281.6 million.

Financial Review

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin for the years ended 31 December 2021 and 2020, respectively:

	For the year ended 31 December					
	2021			2020		
	Revenue RMB'000	**Gross profit RMB'000**	**Gross profit margin**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin
Film and Television business	**96,109**	**(13,804)**	**–14.4%**	94,120	(17,239)	–18.3%

As of 31 December 2021, the Group's revenue from film and television business experienced an increase of approximately 2.1%, essentially the same as in 2020. As the Company reinforced its efforts to promote the distribution of films and television dramas in 2021, revenue from film and television business increased as compared to that in 2020. However, due to the postpone in broadcast of certain drama series and films projects of the Group which were to release as planned as a result of the impact of COVID-19 Pandemic on the film and television industry as a whole during the Year, and the unsatisfactory performance of some released projects in the box office revenue, the revenue was not observed a relatively high increase. The gross profit margin of the Group increased by approximately 3.9 percentage points, from approximately –18.3% for same period of the previous year to approximately –14.4% for the Year, which was mainly due to the box office revenue of some cinema film projects of the Group decreased sharply under the impact of the Epidemic during the previous year, and the Group adjusted the proportion of investments in cinema films and drama series during the Year, through which, although being affected by the overall industry, the cinema films were getting slightly better than the previous year, and the profits of some of the Group's internet movies and customized drama series were higher than those for the same period of previous year.

Other net income

Components of other net income of the Group are mainly comprised of interest exemption of convertible bonds, change in fair value of derivatives embedded in other borrowings, gain from change in amortised cost as a result of the modification of the terms of convertible bonds, change in fair value of derivatives embedded in convertible bonds, net gain from investments in drama series and films, and gain from the acquisition of subsidiaries. For the Year, (i) the gains due to the exemption of interests of convertible bonds were approximately RMB6.6 million, (ii) the gains from change in fair value of derivatives embedded in convertible bonds were approximately RMB311.0 thousand, representing a decrease of approximately RMB113.0 million as compared to that of approximately RMB113.3 million in the corresponding period of previous year, mainly due to the redemption and partial conversion of convertible bonds for the Year, which did not result in significant changes in fair value at the end of the Year, (iii) the gains from change in fair value of derivatives embedded in other borrowings were approximately RMB6.5 million, representing an increase of approximately RMB5.6 million as compared to that of approximately RMB907 thousand in the corresponding period of previous year, (iv) gain from change in amortised cost as a result of the modification of the terms of convertible bonds were approximately RMB2.6 million, representing a decrease of approximately RMB10.6 million as compared to that of approximately RMB13.2 million in the corresponding period of previous year and (v) the gains from the acquisition of subsidiaries were approximately RMB1.2 million.

Distribution costs

For the year ended 31 December 2021, distribution costs of the Group were approximately RMB8.2 million. Distribution costs were stable and remained flat as compared to approximately RMB8.7 million for the corresponding period of previous year, because the Group focused on control of the promotion costs during the distribution of drama series and films.

Administrative expenses

For the year ended 31 December 2021, administrative expenses of the Group were approximately RMB23.3 million, which were essentially the same as approximately RMB23.3 million for the corresponding period of previous year. Administrative expenses were stable, because the Group focused on management and control of daily costs.

Other operating expenses

For the year ended 31 December 2021, other operating expenses of the Group were approximately RMB372.5 million, representing an increase of approximately RMB62.6 million as compared to the corresponding period of previous year, due to the increase in impairment of films and television dramas.

The COVID-19 Pandemic and the policies of the National Radio and Television Administration and other relevant government agencies continued to pose major challenges to the Group, and had an impact on the media business in 2021. As of 31 December 2021, the Group's films and television dramas had been delayed in distribution, resulting in further aging of the Group's films and television dramas being further extended. In the second half of 2021, the management believed that more stringent supervision and regulation of the media industry in the PRC would continue to have a significant impact on the media business, and there is significant uncertainty in the sales of television dramas and films. The Company evaluated the recoverable amount of television dramas and films and made a provision of approximately RMB202.0 million to reduce the carrying amount of these assets to their recoverable amount.

The recoverable amount of the cash generating unit, to which goodwill has been allocated, is calculated based on its value in use. This refers to the present value of future cash flows based on a business plan prepared by the management and approved by the management. The business plan reflects the management's judgment on the latest market developments and future trends of the media business as at the reporting date. The COVID-19 Pandemic and the policies of the National Radio and Television Administration and other relevant government agencies continued to pose major challenges to the Group, and had an impact on the media business in 2021. In the second half of 2021, the management believed that more stringent supervision and regulation of the media industry in the PRC would continue to have a significant impact on the media business, and there was significant uncertainty in the media business, leading to significant uncertainty in future cash flows. The management have evaluated the value of key assumptions based on future trends in related business and historical data from external and internal sources. Therefore, the impairment loss of approximately RMB148.4 million related to Solid Will was recognized for the year ended 31 December 2021.

Impairment losses on trade and other receivables

During the year ended 31 December 2021, impairment losses on trade and other receivables of the Group were approximately RMB112.4 million, representing an increase of approximately RMB91.7 million compared with the same period of the previous year.

The COVID-19 Pandemic and the policies of the National Radio and Television Administration and other relevant government agencies continued to pose major challenges to the Group, and had an impact on the media business in 2021. In the second half of 2021, the management believed that more stringent supervision and regulation of the media industry in the PRC would continue to have a significant impact on the media business, and these conditions result in significant uncertainty in the media business, leading to rapid deterioration of debtors' credit losses. The management conducted an expected credit loss ("**ECL**") evaluation taking into account the aging of balances of accounts receivable, the historical repayment status and specific risk characteristics of debtors, current market conditions, and the Group's view of future economic conditions over the expected lives of the receivables. Therefore, the impairment loss of RMB112,365,000 was recognized to reduce the carrying amount of these accounts receivable to their recoverable amounts for the year ended 31 December 2021.

As at 31 December 2021, the amounts due from third parties were mainly comprised of other receivables of RMB119,831,000 from Swift Power Limited ("**Swift Power**"), previously a subsidiary of the Company prior to its disposal in 2017. The amount was eliminated at a numerical level as inter-group liabilities prior to the disposal of Swift Power for the year ended 31 December 2018 and presented as "advances to third parties" or "amounts due from third parties" for the year ended 31 December 2019 onwards provided that the grounds for the elimination at a numerical level of such inter-group liabilities in 2018 disappeared due to the disposal of Power Fit Limited, a subsidiary of the Company, in 2019. The amount was fully settled during January to May 2023.

Net finance costs

During the year ended 31 December 2021, net finance cost of the Group was approximately RMB16.0 million, representing a decrease of approximately 66.9% compared to that of approximately RMB48.1 million of the previous year, which was mainly due to the decrease in interest payments of the Group upon the conversion of convertible bonds and redemption of bonds during the Period under Review.

During the year ended 31 December 2021, the interest payments of the convertible bonds issued by the Group was approximately RMB6.8 million, representing a decrease of approximately RMB22.0 million as compared to that of approximately RMB28.8 million in the corresponding period of the previous year, which was due to the significant decrease of interest payments of the convertible bonds thanks to the redemption and partly conversion of convertible bonds during the Year; the interest payments of bonds were approximately RMB2.9 million, representing a decrease of approximately RMB9.7 million as compared to that of approximately RMB12.6 million for the same period of the previous year. Interest on bank loans and other financial liabilities decreased by approximately RMB2.5 million from approximately RMB7.1 million in 2020 to approximately RMB4.6 million during the Period under Review. As a result of exchange rate fluctuations, the Group suffered a net exchange loss of approximately RMB3.4 million for the Year, representing an increase in exchange loss of approximately RMB5.3 million as compared to a net exchange income of approximately RMB1.9 million for the same period of the previous year.

Income tax

Income tax of the Group turned to approximately RMB11.4 million during the Period under Review from approximately RMB-9.6 million in 2020. This was mainly due to the recognition of income tax expense as a result of the reverse of certain deferred income tax assets in the Year.

Loss and total comprehensive expense attributable to the equity shareholders of the Company

For the year ended 31 December 2021, the loss attributable to the equity shareholders of the Company was approximately RMB533.8 million, representing an increase in loss of approximately RMB252.2 million as compared to the loss attributable to the equity shareholders of approximately RMB281.6 million in 2020. It was mainly due to the recognition of an impairment of trade and other receivables by the Group, as well as the substantial increase in amounts of impairment of drama series and films, and the recognition of an impairment loss on goodwill of Solid Will.

Liquidity and financial resources

As at 31 December 2021, cash and cash equivalents of the Group were approximately RMB35.5 million, representing an increase of approximately 187.4% from approximately RMB12.4 million as at 31 December 2020. This was mainly due to the Group's collection of part of the amounts from disposal of subsidiaries in the prior year and the increase in collected sales of drama series and films during the Year.

For the year ended 31 December 2021, the Group's net cash generated from operating activities was approximately RMB30.6 million, net cash generated from investing activities was approximately RMB36.3 million and net cash used in financing activities was approximately RMB40.4 million. The Board believes that the Group will be able to maintain a sound and stable financial position and maintain sufficient liquidity and financial resources for its business need, with the Group's effective cost control measures and contingency measures implemented under the impact of COVID-19 Pandemic.

For the year ended 31 December 2021, the average trade receivables (including bills receivable) turnover days for films and television dramas of the Group decreased to 674 days from 967 days, being average trade receivables turnover period for drama series and films for the same period previous year. The decrease in turnover days of trade receivables was caused by the significant decrease in average trade receivables for drama series and films compared to the same period of previous year as a result of the enhanced collection of receivables for film and television business by the Group during the Year.

For the year ended 31 December 2021, drama series and films turnover period of the Group increased to 1,178 days from 1,142 days in the previous year. This was mainly due to the increase in the amount of drama series and films and the decrease in the sales cost of drama series and films under the impact of COVID-19 Pandemic as compared to the same period of the previous year. The high turnover days for inventories and trade receivables were also heavily influenced by the overall industry environment.

As at 31 December 2021, the Group's bank borrowings and lease liabilities were approximately RMB69.2 million (2020: approximately RMB53.2 million) and bore fixed interest rate at 4.05%-5.35% (2020: fixed interest rate at 4.05%-5.02%) per annum. As at 31 December 2021, the Group did not have bank borrowings which bore floating interest rate (2020: Nil). As at 31 December 2021, the Group did not have convertible bonds (2020: approximately RMB104.8 million, with annual effective interest rate of 22.0%). As at 31 December 2021, the Group had bonds payable of approximately of RMB38.2 million, with annual effective interest rate of 8.0% (2020: approximately RMB36.4 million, with annual effective interest rate of 8.0%). As at 31 December 2021, the Group's other borrowings were approximately RMB38,133,000 (2020: RMB38,133,000) and bore fixed interest rate at 12.3% (2020: 12.3%) per annum.

Trade and bill receivables

Trade and bill receivables Trade and bill receivables were approximately RMB78.1 million as at 31 December 2021 (approximately RMB206.8 million as at 31 December 2020).

Loss per share

Calculating based on the weighted average number of 1,798,733,000 shares in issue, basic loss per share of the Company was approximately RMB0.2968 for the year ended 31 December 2021 (2020: basic loss per share was approximately RMB0.1987). Calculating based on the weighted average number of 1,798,733,000 ordinary shares (diluted), diluted loss per share of the Company was approximately RMB0.2968 for the year ended 31 December 2021 (2020: diluted loss per share was approximately RMB0.2290).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period Under Review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital structure

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher Shareholders' returns that might be possible with higher levels of borrowings and the benefits and security afforded by a sound capital position, and shall from time to time make adjustments to the Group's capital structure in light of changes in economic conditions.

As at 31 December 2021, the debts of the Group were mainly bank borrowings, other borrowings, bonds and lease liabilities with a total amount of approximately RMB145.5 million (2020: approximately RMB127.7 million). As at 31 December 2021, cash and cash equivalents was approximately RMB35.5 million (2020: approximately RMB12.4 million). As at 31 December 2021, the gearing ratio was approximately 25.5% (2020: approximately 26.6%), which was calculated by dividing total debt (i.e. interest-bearing bank loans, convertible bonds, lease liabilities and bonds, after deducting cash and cash equivalents) by total equity.

As at 31 December 2021, the debts of the Group that would become due within a year were approximately RMB126.8 million (2020: approximately RMB232.1 million).

As at 31 December 2021, the Group's cash and cash equivalents was mainly held in Renminbi, US dollars and HK dollars, of which, approximately RMB32.6 million (2020: approximately RMB9.8 million) or 91.8% (2020: 79.7%) of the cash and cash equivalents was held in Renminbi.

Furthermore, the Group did not have finance lease liabilities as at 31 December 2021 (2020: Nil). The carrying amounts of bank loans were denominated in RMB. For the year ended 31 December 2021, no financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Capital commitments

Save as disclosed in the note 27 to the financial report part herein, the Group did not have any other significant capital commitments as at 31 December 2021 (2020: Nil).

Employee and remuneration policy

As at 31 December 2021, the Group had a total of 108 employees (2020: 78).

For the year ended 31 December 2021, labour costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB16.5 million (2020: approximately RMB19.9 million). The slight decrease of labour costs compared to the same period of the previous year was mainly due to the decrease in overall remuneration cost as a result of the resignation of certain senior management members despite there was an increase in the number of employees.

The Group continues to provide training to staff to improve their skills. Meanwhile, the Group enhanced the work efficiency and average income of the staff through post-consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was subject to their work performances and experiences, as well as the relevant industry practices. The management of the Group will also periodically review the Group's remuneration policy and the details thereof.

Retirement scheme

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "**Schemes**") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees' salaries for the years ended 31 December 2021 and 2020.

The Company calculates the benefits so attributed under the agreed percentage of annuity plan based on staff's service years upon their retirement.

The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above. Accordingly, (i) for each of the two years ended 31 December 2021 and 2020, there was no forfeiture of contributions under such pension schemes; and (ii) there were no forfeited contributions available for the Company to reduce its existing level of contributions to such pension schemes as at 31 December 2021.

Exposure to foreign exchange risk

The Group adopted a prudent policy in managing its exchange rate risks. The imports and exports of the Group were settled in US dollars. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in the currency exchange rates during the Period under Review. The Board believes that the Group will have sufficient foreign currency reserves to meet its requirements.

The Group did not use any foreign currency derivatives to hedge against the exposure to foreign exchange risk during the Year.

Contingent liabilities

The Group did not have any contingent liability as at 31 December 2021 (2020: Nil).

Charges on assets

The Group did not have machinery and equipment pledged to banks as securities for the bank loans as at 31 December 2021 (2020: Nil).

Significant investments held

The Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2021.

Future plans for material investments and investments in capital assets

The Group did not have any plans for investments or investments in capital assets.

Acquisitions and disposals of subsidiaries and affiliated companies

For the year ended 31 December 2021, the Group acquired the entire equity interests in Digital Light Year Technology Co., Limited ("**Digital Light Year**"). Digital Light Year is an investment holding company, the subsidiary of which is mainly engaged in the provision of cloud gaming, software development, technology consulting services and digital content production services in the PRC.

The consideration payable for the acquisition of Digital Light Year was HK$29,200,000, which was settled through the issuance and allotment of consideration shares amounting to HK$184,810,126 at the issue price of HK$0.158 per share. For details, please refer to the announcements of the Company dated 18 November 2021 and 22 November 2021.

Events After the Reporting Period

The Group's non-adjusting events after the reporting period are as follows:

Change of Company Name

On 9 December 2021, the Board proposed to change the English name of the Company from "Starrise Media Holdings Limited" to "A Metaverse Company", and the Chinese name of the Company from "星宏傳媒控股有限公司" to "一元宇宙公司" (the "**Proposed Change of Company Name**"). The special resolution on the Proposed Change of Company Name was approved at the extraordinary general meeting on 19 January 2022.

The English name of the Company has been changed to "A Metaverse Company" from "Starrise Media Holdings Limited" and the Chinese name of the Company has been changed to "一元宇宙公司" from "星宏傳媒控股有限公司" with effect from 1 March 2022 and the Company has traded under the new name of the Company with effect from 9:00 am on 16 March 2022.

The English stock short name of the Company was changed to "A METAVERSE" from "STARRISE MEDIA" and the Chinese stock short name of the Company was changed to "一元宇宙" from "星宏傳媒" with effect from 9:00 am on 16 March 2022.

Repurchase of shares of a non wholly-owned subsidiary

On 5 July 2022, Khorgos Starrise Qicheng Media Co., Ltd（霍爾果斯星宏啟程傳媒有限公司）, a non wholly-owned subsidiary of the Company (the "**Target Company**"), 嘉興首建投五號投資合夥企業（有限合夥）(Jiaxing Shou Jian Tou No. 5 Investment Partnership (Limited Partnership)) (the "**Seller A**"), Beijing Starrise Media Co., Ltd.（北京星宏文化傳媒有限公司）, a wholly-owned subsidiary of the Company (the "**Purchaser**"), the Company and Beijing Xinghong Culture Development Co., Ltd.（北京星宏文化發展有限公司）, a PRC company controlled by the Group by way of contractual arrangements (the "**Guarantor**") entered into the repurchase agreement (the "**Repurchase Agreement A**") in relation to the repurchase of approximately 39% equity interest in the Target Company in the consideration of approximately RMB43.71 million. Until the approval date of these consolidated financial statements, the transaction has not been completed.

On 5 July 2022, Target Company, Seller A, 北境企業管理諮詢（寧波）有限公司 (Bei Jing Corporate Management Consultation (Ningbo) Co., Ltd) (the "**Seller B**"), (collectively, "**Sellers**"), Purchaser, the Company and the Guarantor entered into the equity transfer agreement in relation to the repurchase of approximately 10% of the unpaid up equity interest in the Target Company in the consideration of RMB nil. The transaction was completed on 22 July 2022. No gain or loss was arising from the transaction.

On 5 June 2023, the Company, the Purchaser, Seller A, the Target Company and the Guarantor entered into a supplemental repurchase agreement (the "**Supplemental Repurchase Agreement**") to revise certain terms and conditions of the Repurchase Agreement A. The consideration of the Repurchase Agreement A is revised from approximately RMB43.71 million to approximately RMB47.26 million. The increase in the consideration of approximately RMB3.55 million represents the delay interest (the "**Delay Interest**") in the amount of approximately RMB4.66 million on the repurchase balance of RMB37.93 million (the "**Repurchase Balance**") at the rate of 12.3% per annum for a period of 1 year from 19 November 2022 to 19 November 2023 minus approximately RMB1.11 million which the Purchaser has already paid.

The Purchaser shall pay (a) the amount of approximately RMB4.67 million to Seller A by 30 June 2023; (b) the monthly interest by the end of each month, in the amount of RMB600,000 from July 2023; and (c) the Repurchase Balance of approximately RMB37.93 million and the outstanding Delay Interest in the amount of approximately RMB1.67 million on 19 November 2023.

If the Purchaser fails to fully repay the Repurchase Balance and Delay Interest by 19 November 2023, the Purchaser shall pay a late fee to Seller A for the overdue payment (at a daily interest rate of 0.05%) until the full amount of the overdue payment and late fees have been paid.

For details, please refer to the announcements of the Company dated 5 July 2022, 12 July 2022 and 5 June 2023.

Save as disclosed above, until the approval date of these consolidated financial statements, there were no major events after the reporting period which were required to be disclosed.

Adoption of New Share Option Scheme

The Company also adopted a new share option scheme on 20 January 2022. Please refer to the paragraph headed "New Share Option Scheme adopted on 20 January 2022" in this report for details.

Suspension of Trading

On 30 March 2022, the Board received a request from one of the minority equity holders (the "**Minority Equity Holder**"), namely, Jiaxing Shou Jian Tou No. 5 Investment Partnership (Limited Partnership), holding 39% equity interest of a 51% owned subsidiary of the Company, namely, Khorgos Starrise Qicheng Media Co., Ltd（霍爾果斯星宏啟程傳媒有限公司）that the Company should fulfill its contractual obligation to repurchase the remaining 39% equity interest in the said subsidiary from the Minority Equity Holder (the "**Incident**").

In light of the Incident, the Company considered that the Incident might have a impact on the 2021 Audited Annual Results, and would require additional time to gather further information in relation to the Incident and assess the impact thereof on the financial results of the Group for the year ended 31 December 2021 and the business operations of the Group. As a result, the publication of the audited annual results ("**2021 Audited Annual Results**") and the annual report (the "**2021 Annual Report**") for year ended 31 December 2021 had been delayed until information gathering was completed.

Pursuant to Rule 13.49(1) of the Listing Rules, the Company is required to publish not later than three months after the end of the financial year, i.e. on or before 31 March 2022. Under Rule 13.49(2) of the Listing Rules, the preliminary announcement in relation to the 2021 Audited Annual Results shall be based on the Company's financial statements for the year ended 31 December 2021 which shall have been agreed with the auditor.

As a result, the trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022 and has remained suspended as at the date of this report.

In addition, the Company received a letter from the Stock Exchange dated 24 June 2022 setting out the following resumption guidance (the "**Resumption Guidance**") for the resumption of trading in the shares of the Company:

(i) publish all outstanding financial results and address any audit modifications;

(ii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and

(iii) inform the market of all material information for the Company's Shareholders and other investors to appraise the Company's position.

The Company must meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume.

For details of the Resumption Guidance, please refer to the announcement of the Company dated 27 June 2022.

In addition, due to the delay of the publication of 2021 Audited Annual Results and the 2021 Annual Report, the publication of the unaudited interim results and the dispatch of the Interim Report of the Company for the six months ended 30 June 2022, as well as the publication of the audited annual results and the despatch of the annual report for the year ended 31 December 2022 had not been ready as at the date of this report.

As at the date of this report, the Company entered into the repurchase agreement (as revised by the Supplement Repurchase Agreement) with the Minority Equity Holder to repurchase the remaining 39% equity interest in Khorgos Starrise Qicheng Media Co., Ltd (霍爾果斯星宏啟程傳媒有限公司). For details, please refer to the announcements of the Company dated 5 July 2022, 12 July 2022 and 5 June 2023, and the paragraph section headed "Repurchase of shares of a non wholly-owned subsidiary" in this report.

The Company will publish further announcement(s) in due course to inform the shareholders of the Company and potential investors the progress of preparation and publication of the outstanding financial information as well as the progress of resumption of trading.

Updated Information of Directors Pursuant to Rule 13.51B(1) of the Listing Rules

For the Year, the changes in the information of the Directors, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

1. Ms. Chen Chen resigned as an executive Director with effect from 1 June 2021; and

2. Ms. Yang Qinyan was appointed as an executive Director with effect from 1 June 2021.

Outlook

The COVID-19 Pandemic has had significant effects on China's film and television media industry over the past two years. With the gradual normalization of quarantine, crowd control and other prevention and control measures against the Epidemic, China maintained its leading position globally in economic growth and the prevention and control. The Group believed that the film and television media industry will gradually improve as China's economy recovers.

Meanwhile, we also note that with the continuous development and upgrading of 5G technology, short videos, live streaming, games and other emerging audio-visual formats surged significantly and initiated increasingly intensified competition for traditional audio-visual formats such as drama series and films and variety shows, further posing challenges to the traditional drama series and films industry. In the future, the Group will continue to explore more possibilities to enhance the quality of its drama series and films. We will gradually adjust our investment strategies and product structures in accordance with regulatory policies and market preferences, and seek more and better investment opportunities in accordance with the conditions of media market while enhancing the quality of product contents.

Looking forward, although the current financial performance of the Group's Media Business has been adversely affected by the COVID-19 Pandemic and did not meet expectations as planned, the Group believes that the film and television media industry in China will gradually improve as China's economy recovers. The Group will pay close attention to the government policies related to the film and television media industry and make full use of its existing resources to diversify its Media Business and strive for more diversified business opportunities, so as to generate better rewards for the Shareholders and to facilitate the Group's better development.

Currently, the Group's preparatory plans and filming works are proceeding orderly, and the broadcasted dramas in 2021 and the production schedule of its films and television series in the future are as follows:

No.	Name	Genre	(Planned) Shooting commencement date	Status
1	Rat Race（狂鼠列車）(formerly known as "Rat Disasters"（大鼠災）)	Internet movie	In May 2019	Broadcasted in January 2021
2	Legend of Immortality – Sword Maker（修仙傳之煉劍）(formerly known as "Sword Maker"（煉劍）)	Internet movie	In August 2019	Broadcasted in February 2021

No.	Name	Genre	(Planned) Shooting commencement date	Status
3	Desperate Sniper（絕地狙殺）(formerly known as "Deadly Sniper 2"（致命狙殺2）)	Internet movie	In October 2020	Broadcasted in July 2021
4	The Day We Lit Up the Sky（燃野少年的天空）	Youth dance and song film	In November 2020	Broadcasted in July 2021
5	The Three-Line（大三綫）(formerly known as "Kapok Blooms Everywhere"（木棉花開紅爛漫）)	Realistic dramas	In September 2018	Broadcasted in September 2021
6	Police Story In The Northeast（東北警察故事）(formerly known as " Manhunt"（極寒追惡）)	Internet movie	In April 2020	Broadcasted in October 2021
7	The 101-200 episodes of The New Big Head Son and The Little Head Father（新大頭兒子小頭爸爸 101-200集）	Situation comedy	In February 2019	Broadcasted in January 2022
8	Hero（奇俠義士）(formerly known as "The Box – Bosom Friend" or "Bosom Friend"（魔盒之高山流水）（高山流水）)	Internet movie	In July 2018	Broadcasted in February 2022
9	Legend of Businessman in Hongjiang（一代洪商）	Historical story drama	In October 2018	Broadcasted in March 2022
10	Assault（突擊）	Internet movie	In February 2021	Broadcasted in January 2023
11	Once Upon A Time In The Northeast（東北往事）	Youth nostalgic film	In March 2017	Submitted for screening
12	Twin Blades（尖鋒姐妹）(formerly known as（曆小龍與程序媛）)	Theatrical film	In May 2019	Submitted for screening

No.	Name	Genre	(Planned) Shooting commencement date	Status
13	Night Screaming (一夜驚笑) (formerly known as "Scream" (驚聲尖笑), "Horror Blockbuster" (恐不大片))	Internet dramas	In November 2017	At the release stage
14	Here Comes Dashan (大山來了)	Youth nostalgic film	In December 2017	At the release stage
15	The Tale of the Mythical Ferocious Animal (饕餮記)	Internet dramas	In October 2018	At the release stage
16	Blood Pledge for Thousands (血盟千年)	Historical story drama	In October 2019	At the release stage
17	Warrior King (雪域少年) (formerly known as "Tempering of King Gelsall" (格薩爾王之磨煉))	Animated film	–	At the release stage
18	GO! REX (你好，霸王龍)	Animated film	In May 2017	Preparation for release
19	Her Fantastic Adventures" (第二次初見) (formerly known as "Back To The Dynasty" (午門囧事))	Internet dramas	In November 2020	Submitted for screening
20	King of Sniper (狙擊之王)	Internet movie	To be determined	Preparing filming
21	Emergency Rescuing (心跳營救)	Internet movie	To be determined	Preparing filming
22	Tianta Crisis (天塔危機)	Theatrical film	To be determined	Preparing filming
23	Dungeons and Dragons (龍與地下城)	Theatrical film	To be determined	Preparing filming
24	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	To be determined	Script completed
25	Elderly Hero (遲暮英雄)	Internet movie	To be determined	Script completed

No.	Name	Genre	(Planned) Shooting commencement date	Status
26	The First Undercover in the Southern Song Dynasty – The Case of Demon Cat（南宋第一臥底之妖貓案）	Internet movie	To be determined	Script completed
27	New Tong Pak Foo Dim Chau Heung（唐伯虎點秋香後傳）	Internet movie	To be determined	Script completed
28	Amaranthine Epiphyllum（雙世曇花）	Internet movie	To be determined	Script completed
29	Yangtze River Bridge（長江大橋）	Realistic dramas	To be determined	Script completed
30	Wu Dang（天下武當）	Television drama	To be determined	Script completed
31	The 201-300 episodes of The New Big Head Son and The Little Head Father（新大頭兒子小頭爸爸201-300集）	Situation comedy	To be determined	Script completed
32	The Way to Glory（魔鬼周）	Television drama	To be determined	At the stage of script writing
33	Mountain, Snow and Dreams（那山那雪那夢）	Television drama	To be determined	At the stage of script writing
34	Sanxiao Lane（三孝巷）	Television drama	To be determined	At the stage of script writing
35	Justice Is Beautiful（正義是美麗的）	Television drama	To be determined	At the stage of script writing
36	Long-Lost Summer（隱秘之夏）(formerly known as "Platinum Data"（白金數據）)	Internet dramas	To be determined	At the stage of script writing
37	Bulletproof Teacher（穿越火線： 防彈教師）	Internet dramas	To be determined	At the stage of script writing

No.	Name	Genre	(Planned) Shooting commencement date	Status
38	Limited Romance（限定浪漫）	Internet dramas	To be determined	At the stage of script writing
39	Fiber（纖維）	Internet dramas	To be determined	At the stage of script writing
40	Through the Storm（玉骨瓷心）(formerly known as "Shiny Day"（雨過天晴雲開處）)	Internet dramas	To be determined	At the stage of script writing
41	The Iron Bone and Steel Fist（鐵骨鋼拳）	Internet movie	To be determined	At the stage of script writing
42	The Iron Trophy（鐵甲雄風）	Internet movie	To be determined	At the stage of script writing

Directors and Senior Management Profile

The Board of Directors is responsible and has general powers for the management and conduct of the business. The Board currently consists of seven Directors, including four executive Directors, and three independent non-executive Directors. The following table sets forth information regarding members of the Board for the year ended 31 December 2021 and up to the date of this annual report:

Name	First Appointment Date
Executive Directors	
LIU Dong *(Chairman)*	24 February 2010
LIU Zongjun *(Chief Executive Officer)*	26 June 2012
CHEN Chen *(resigned on 1 June 2021)*	24 September 2015
YANG Qinyan *(appointed on 1 June 2021)*	1 June 2021
HE Han	8 November 2016
Independent non-executive Directors	
LAM Kai Yeung	26 June 2012
LIU Chen Hong	18 April 2018
KWOK Pak Shing	27 March 2020

Executive Directors

Mr. LIU Dong（劉東）, aged 54, is the Chairman of the Board and an executive Director appointed on 24 February 2010, and one of the Company's substantial shareholders. Mr. LIU has been with the Group since the acquisition of the equity interest of Zibo Yinshilai Textile Co., Ltd.（淄博銀仕來紡織有限公司）("**Yinshilai Textile**") by Zibo Yinshan Chemical Fiber Co., Ltd.（淄博銀杉化纖有限公司）("**Yinshan Chemical Fiber**") in June 2005. Mr. LIU is currently the legal representative and a director of Yinshilai Textile and was firstly appointed to such posts in September 2005. Mr. LIU was appointed as a Director on 24 February 2010. He is primarily responsible for overall business development, strategic planning and business development of the Group. Mr. LIU has accumulated more than 20 years of experience in the textile industry in the PRC, which can be traced back to 1996 when he was appointed as the general manager of Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）. Mr. LIU had served as a deputy general manager of Zibo Wanjie Group Co., Ltd.（淄博萬傑集團有限公司）, and subsequently as a director and general manager (between December 1998 and December 2001) and the chairman of the board of director (between December 2001 and November 2004) of Shandong Wanjie High-Tech Co. Ltd.（山東萬傑高科技股份有限公司）("**Wanjie High-Tech**"). Mr. LIU studied in College of Textile Engineering of Shandong（山東紡織工學院）majoring in management and subsequently obtained a master of business administration degree from the Chinese Academy of Social Science in November 1998.

Mr. LIU was recognized as "Model Worker of the Textile Industry of the PRC"(全國紡織工業勞動模範)by the Ministry of Personnel of the PRC(中華人民共和國人事部)and China National Textile and Apparel Council(中國紡織工業協會)in 2006, "Outstanding Entrepreneur of the Zibo Municipality for the year 2006"(2006年度淄博市優秀企業家), "Outstanding Entrepreneur of the Zibo Municipality for the year 2008"(2008年度淄博市優秀企業家)and "Outstanding Entrepreneur of the Zibo Municipality for the year 2009"(2009年度淄博市優秀企業家)by the Zibo Municipal Committee of the Chinese Communist Party(中共淄博市委)and the People's Government of Zibo Municipality(淄博市人民政府)in 2007 and 2010, respectively, "Star Entrepreneur of the Zibo Municipality for the year 2010"(2010淄博市明星企業家)by the Zibo Municipal Committee of the Chinese Communist Party(中共淄博市委)and the People's Government of Zibo Municipality(淄博市人民政府)in 2011, "Outstanding Entrepreneur of the Shandong Province"(山東省優秀企業家)by Shandong Enterprise Confederation(山東省企業聯合會), Shandong Entrepreneur Association(山東省企業家協會), Shandong Industrial and Economics Confederation(山東省工業經濟聯合會)and Shandong Quality Association(山東省質量協會)in 2011, "Award for Outstanding Entrepreneurs of the Textile Industry of the Shandong Province"(山東省紡織企業家創業獎)by the Shandong Textile Industry Office(山東省紡織工業辦公室)and the Shandong Textile Enterprise Management Association(山東紡織企業管理協會)in 2007, one of the "Twelve Batch of Outstanding Young Entrepreneurs of the Zibo Municipality"(第十二屆淄博市傑出青年企業家)by the Zibo Municipal Committee of the Communist Youth League(共青團淄博市委), Zibo Municipal Economy and Trade Committee(淄博市經濟貿易委員會), the Zibo Municipal Administration for Industry and Commerce(淄博市工商行政管理局), the Zibo Municipal Department of Environmental Protection(淄博市環境保護局), the Zibo Municipal Association of Entrepreneur(淄博市企業家協會)and the Zibo Municipal Association of Young Entrepreneur(淄博市青年企業家協會)in 2007, "Outstanding Persons of the Textile Brand Culture Development of the PRC for the year 2010"(2010中國紡織品牌文化建設傑出人物)by China National Textile and Apparel Council(中國紡織工業協會)and the Chinese Association for Textile Enterprises Culture Construction(中國紡織企業文化建設協會)in 2010, and "Boshan Star Entrepreneur for the year 2008"(2008年度博山區明星企業家), "Boshan Star Entrepreneur for the year 2010"(2010年度博山區明星企業家)and "Boshan Star Entrepreneur for the year 2011"(2011年度博山區明星企業家)by the Boshan District Committee of the Chinese Communist Party(中共博山區委)and the People's Government of Boshan District(博山區人民政府)in 2009 and 2011, respectively. Mr. LIU is a representative of the Fourteenth People's Congress of Zibo City(淄博市第十四屆人民代表大會).

Mr. LIU Zongjun(劉宗君), aged 52, is an executive Director appointed on 26 June 2012, and chief executive officer of the Company appointed on 1 April 2015. He joined the Group as assistant to the chairman of the board of directors, deputy general manager and manager of the human resources department of Yinshilai Textile since April 2010.

Mr. LIU is experienced in administrative management and has accumulated more than 20 years of experience in the textile industry. Between July 1993 and June 1994, Mr. LIU worked in the Shanghai office of Weifang Economic and Trade Centre(濰坊經濟貿易中心)governed by the Shandong Weifang Municipality Economic Committee(山東濰坊市經濟委員會). Between September 1994 and October 2004, Mr. LIU worked with Wanjie Group Co., Ltd. and held a series of positions including the role of executive in foreign economy and trade department of the Shanghai office, assistant to the general manager of Zibo Wanjie Fiber Co., Ltd.(淄博萬傑纖維有限公司)and assistant to the general manager and human resources manager of Wanjie High-Tech. Between October 2004 and April 2010, Mr. LIU served as general manager of Zibo Tianhao Weaving and Dyeing Co., Ltd(淄博天浩織染有限公司).

Mr. LIU graduated from Shanghai Textile College(上海紡織高等專科學校)in July 1993, majoring in textile material chemical processing. He obtained a Bachelor's degree in Chinese literature from Shandong University of Technology(山東理工大學)in January 2007. He also obtained an Executive Master of Business Administration (EMBA) from Donghua University(東華大學)in December 2014.

Ms. Yang Qinyan（楊秦燕）, aged 50, obtained an advanced diploma in fashion design from RAFFLES-BICT International College（北京服裝學院萊佛士國際學院）and LaSalle College International (Canada) in 2006, and a master's degree of executive master of business administration from The Chinese University of Hong Kong in 2017. Ms. Yang has over 20 years of experience in the field of media and advertising. From September 2003 to April 2014, she served as the managing director of the Beijing branch of a multinational media agency which specialises in advertising and marketing for domestic and international clientele. Ms. Yang joined Beijing Starwise Culture Media Co., Ltd.（北京睿博星辰文化傳媒有限公司）("**Beijing Starwise**"), which became a wholly-owned subsidiary of the Group in 2017, since May 2015 and is currently the president of Beijing Starwise and is mainly responsible for overseeing the management, operation and development of intellectual properties.

Mr. HE Han（何漢）, aged 51, is an executive Director appointed on 8 November 2016 and is an experienced filmmaker and a member of board of directors of the Beijing Film Academy. He has been the president of Beijing Starrise Pictures Co., Ltd.（北京星宏影視文化有限公司）(formerly known as Beijing Yingsheng Cultural Investments Co., Ltd.（北京瀛晟文化投資有限公司）) since October 2015. Beijing Starrise Pictures Co., Ltd. is a wholly-owned subsidiary acquired by the Company in July 2016. Prior to joining the Group, Mr. HE served as the vice president of CITIC Culture Media Group（中信文化傳媒集團）and the chief director of the planning division of Century Heroes Film Investment Co., Ltd.（世紀英雄電影投資有限公司）from 2001 to 2005. Mr. HE also acted as the general manager of Beijing Airmedia Corporation Limited（北京航美影視文化有限公司）, the president of Beijing Xinghe Lianmeng Entertainment Co., Ltd.（北京星河聯盟影視發行有限公司）and the publisher of the "Cinema World（電影世界）" magazine between 2005 and 2015. Mr. HE graduated from the Beijing Film Academy with a Bachelor's degree in public service administration (film and television).

Independent non-executive Directors

Mr. LAM Kai Yeung（林繼陽）, aged 53, is a fellow of the Association of Chartered Certified Accountants（英國特許公認會計師公會）and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. LAM obtained a bachelor's degree in accounting from Xiamen University（廈門大學）in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

Mr. LAM has been an independent non-executive Director since June 2012; an independent non-executive director of Holly Futures（弘業期貨股份有限公司）(a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 3678) from June 2015 to December 2021; an independent non-executive director of Shi Services Limited（時時服務有限公司）(formally known as Heng Sheng Holdings Limited and Kong Shum Union Property Management (Holding) Limited) (a company listed on the GEM of the Stock Exchange, stock code: 8181) since October 2015; an independent non-executive director of Kin Shing Holdings Limited（建成控股有限公司）(a company listed on the GEM of the Stock Exchange, stock code: 1630) since May 2017; and an executive Director and the chief executive officer of Hang Pin Living Technology Company Limited（杭品生活科技股份有限公司）(formerly known as Hua Long Jin Kong Company Limited, Highlight China Lot International Limited and Ford Glory Group Holdings Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 1682) since June 2017 and September 2017, respectively. He also served as a director of Sunway International Holdings Limited（新威國際控股有限公司）(a company listed on the Main Board of the Stock Exchange, stock code: 58) from May 2015 to May 2019 and from August 2021 to January 2022; and an independent non-executive director of Finsoft Financial Investment Holdings Limited（匯財金融投資控股有限公司）(a company listed on GEM of the Stock Exchange, stock code: 8018) from June 2015 to June 2019.

Ms. LIU Chen Hong（劉晨紅）, aged 56, has been an independent non-executive Director since 18 April 2018. She obtained a Master of Business Administration (MBA) degree from Pace University in New York in June 2006. Ms. Liu has over 20 years of experience in the field of finance. She served as the chief representative at the Dalian Representative Office of Regent Express Inc.（美國雷鈞國際有限公司）between October 1990 and February 1994. Ms. LIU was the chairman of Xin Li Holding Group Corporation（美國鑫利控股集團有限公司）from June 1994 to December 2002. She subsequently took up the position of vice chairman at Eagle Sky Enterprise Limited（香港量子高科集團）between February 2003 and December 2011, and chairman at Quantum Hi-tech Group（香港天鷹企業有限公司）between February 2012 and June 2014. Ms. LIU has been serving as the chairman at T&C Corporate Consultants Limited（香港天呈企業顧問有限公司）since July 2014.

Mr. KWOK Pak Shing（郭柏成）, aged 39, has been an independent non-executive Director since 27 March 2020. He obtained a bachelor degree of arts in business studies from the Hong Kong Polytechnic University in 2006. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. KWOK has over 13 years of experience in accounting, auditing, financial management and corporate governance matters. Since September 2020, he serves as the chief financial officer of Times Neighborhood Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 9928). Mr. KWOK serves as the chief financial officer and a joint company secretary of Zensun Enterprises Limited (a company listed on the Main Board of the Stock Exchange, stock code: 185) from July 2018 to September 2020. Mr. KWOK also worked as a company secretary and/or a financial controller for companies listed on the Stock Exchange from June 2013 to July 2018 and as an audit manager for an international accounting firm from July 2006 to June 2013.

Senior Management

The executive Directors and senior management of the Company are responsible for the day-to-day management of the Group's business. The following table sets out certain information concerning the Group's senior management as at the date of this annual report:

Name	Age	Positions within the Company
TIAN Chengjie	54	Secretary to the Board
Liu Jiyou *(appointed with effect from 31 December 2021)*	44	Chief Financial Officer
SUN Qiaoyun	54	Finance Controller

Mr. TIAN Chengjie（田成杰）, aged 54, is the secretary to the Board. Mr. TIAN has been a deputy general manager of Yinshilai Textile in March 2005. From May 2006 to August 2017, he had been a deputy general manager and a director of Huiyin Textile. Between June 2012 and September 2015, Mr. TIAN had been an executive Director and the secretary to the Board. He is primarily responsible for administration, planning and human resources of the Group. Mr. TIAN has accumulated more than 20 years of experience in the textile industry in the PRC. Mr. TIAN had worked with Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）since December 1993 and held a series of positions including the role of workshop manager, the head of the spinning department, the head of the quality control department, the head of the business administration bureau, and an assistant to the general manager, and subsequently with Zibo Wanjie Group Co., Ltd.（淄博萬傑集團有限公司）serving as the head of the business administration bureau. Between December 1996 and November 2004, Mr. TIAN held a series of positions including the role of director and supervisor of Wanjie High-Tech. Mr. TIAN graduated from the College of Textile Engineering of Shandong（山東紡織工學院）in July 1990 majoring in chemical fiber studies and obtained a master of business administration degree from the Guanghua School of Management of the Peking University（北京大學光華管理學院）in May 2004. Mr. TIAN was awarded the second prize of the "Modern and Innovative and Excellent Application of Enterprises Management of the Shandong Province Award"（山東省企業管理現代化創新及優秀應用二等獎）by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee（山東省企業管理現代化創新成果評審委員會）in December 2010.

Mr. Liu Jiyou（劉繼友）, age 44, joined the Company in October 2015 as the financial controller and has been appointed as chief financial officer with effect from 31 December 2021. Mr. Liu obtained a bachelor's degree of economics majoring in accounting from the Beijing Technology and Business University*（北京工商大學）in 2002. Prior to joining the Company, Mr. Liu had from 2002 to 2015 occupied senior managerial roles in finance and accounting department of public companies listed on the NASDAQ for over 10 years. After joining the Company as the financial controller, Mr. Liu has been responsible for the overall management of the Company's financial operation, which includes, inter alia, coordinating with various business units of the Company to formulate investment plans for the Company's film and television projects and exercising of financial oversight of ongoing projects during the production and distribution stage.

Directors and Senior Management Profile

Ms. SUN Qiaoyun（孫巧雲）, aged 54, is the Group's finance controller. Ms. SUN joined the Group as the chief of the accounting and finance department of Yinshilai Textile in November 2004 and was appointed as a director of Yinshilai Textile in March 2006. Ms. SUN has accumulated 22 years of experience in finance and management which can be traced back to 1991 when she served as the manager of the finance department of Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）.

Ms. SUN undertook a part-time course at the Party School of Shandong Provincial Party Committee of China Communist Party（中共山東省委黨校）and obtained a bachelor degree in economic management in December 2004.

As at the date of this annual report, save as disclosed above, each of our Directors and our senior management members has confirmed that he or she has not held any directorship in other listed public companies or major appointments in the past three years.

Company Secretary

Ms. CHAN Yin Wah（陳燕華）, aged 47, is an associate director of SWCS Corporate Services Group (Hong Kong) Limited. She has over 15 years of professional experience in handling corporate secretarial, compliance and share registry matters for listed companies in Hong Kong. She worked for various international professional firms and listed companies in Hong Kong. Ms. CHAN holds a Bachelor's degree in economics and a master's degree in professional accounting. She is a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

Corporate Governance Report

Corporate Governance

Adapting and adhering to the recognized standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of Shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has adopted the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). According to Code Provision A.4.2 (which was effective during the Year but abolished as at the date of this report), all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Ms. YANG Qinyan ("**Ms. YANG**") was appointed as an executive Director with effect from 1 June 2021. Due to insufficient time for the Company to issue a supplemental circular proposing Ms. YANG to be re-elected at the extraordinary general meeting (the "**EGM**") of the Company held on 16 June 2021 and allow the Shareholders to have at least 10 business days to consider the supplementary information pursuant to the Listing Rules, the proposal for the re-election of Ms. YANG was not put forward at the EGM. As such, Ms. YANG will be subject for re-election at the forthcoming annual general meeting of the Company according to the Company's articles of association. Save as disclosed above, the Company had complied with the Code Provisions throughout the Period Under Review.

Chairman and Chief Executive Officer

For the year ended 31 December 2021, the Company had adopted and complied with the Code Provision A.2.1 (the Code Provision has been renumbered as Code Provision C.2.1 with effect from 1 January 2022) which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between chairman and chief executive officer should be clearly established and set out in writing. Mr. LIU Dong had been the chairman of the Company and Mr. LIU Zongjun had been the chief executive officer of the Company for the Year and up to the date of this report.

Board Diversity Policy

Code Provision A.5.6 (the Code Provision has been upgraded to Rule 13.92 of the Listing Rules with effect from 1 January 2022) stipulates that the nomination committee of the Board (the "**Nomination Committee**") (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

With an aim to achieve diversity on the Board, the Board has approved and adopted a board diversity policy (the "**Policy**") and the appropriate revisions to the terms of reference of the Nomination Committee to ensure the appropriate implementation of the Policy. The Policy was made with a view to achieving a sustainable and balanced development of the Company, of which, among others, all Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company commits to selecting the best person to be members of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on individual merits and the expected contributions that the selected candidates will bring to the Board. In recent years, the Company has focused on enhancing the diversity of the Board. Now, the Board consists of seven members, including two women (Ms. YANG Qinyan and Ms. LIU Chen Hong), accounting for near one third of the Board members. Directors are aged from around 37 to 55 years old. The Board's composition (including gender, age and length of service) will be reviewed and disclosed in the Corporate Governance Report annually.

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Dividend Policy

The Company's dividend policy is that reasonable amount of the Group's profits available for distribution will be recommended for distribution in each financial year (commencing from the financial year ended 31 December 2012), in the form of interim dividend and final dividend. Directors consider that, in general, the amount of any future dividends to be declared by the Company will depend on the Group's results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by Directors. Directors consider that the Company's dividend policy mentioned above will not materially affect the Group's working capital position in the coming years.

Nomination Policy

The nomination policy of the Company (the "**Nomination Policy**") was approved by the Board on 27 December 2018. The Nomination Policy was effective from 1 January 2019.

The purpose of the Nomination Policy is to nominate suitable candidates to the Board for consideration and recommendation to Shareholders to be elected as Directors of the Company at the general meeting, or for the Board to appoint as Directors of the Company to fill casual vacancies; the number of candidates nominated may exceed (as deemed appropriate) the number of Directors appointed or re-appointed at a general meeting or exceed the number of casual vacancies to be filled.

Under the Nomination Policy: (1) the Nomination Committee will refer to the following factors when evaluating candidates, including reputation, the achievements and experience in the film and television, financial, legal, accounting or investment industries, the time available and the interests of the relevant parties, and the diversity of the Board (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure). All factors mentioned above are for reference only and not intended to cover all factors or otherwise be decisive. The Nomination Committee may decide to nominate any person as it deems appropriate; (2) the independent non-executive Directors who are about to retire are eligible to be nominated by the Board having considered the recommendations of the Nomination Committee and be re-elected as the Directors at the general meeting. For the avoidance of doubt, the independent non-executive Directors who have served as Directors for 9 consecutive years or more should be re-elected by Shareholders in the form of an independent resolution. The Nomination Committee and the Board should attach the resolution in the circular sent to Shareholders, and the circular should contain the reasons why the Nomination Committee and the Board believe that the person is still independent and should be re-elected; and (3) all Directors appointed to fill the casual vacancy shall be subject to the Shareholders' approval at the first annual general meeting after the appointment pursuant to the articles of association of the Company. Each Director (including those with a specified term) shall be subject to retirement by rotation, at least once every three years.

Model Code for Securities Transaction by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of Directors. The Company confirms that, having made specific enquiry of all Directors, all the Directors have complied with the required standards of dealing as set out in the Model Code during the Year.

The Board of Directors

Composition

As at the date of the annual report, the Board comprises seven Directors, of which Mr. LIU Dong, Mr. LIU Zongjun, Ms. YANG Qinyan (appointed on 1 June 2021) and Mr. HE Han are executive Directors; and Mr. LAM Kai Yeung, Ms. LIU Chen Hong and Mr. KWOK Pak Shing are independent non-executive Directors. For the year ended 31 December 2021 and up to the date of this annual report, the composition of the Board is as follows:

Executive Directors:

LIU Dong *(Chairman)*
LIU Zongjun *(Chief Executive Officer)*
CHEN Chen *(resigned on 1 June 2021)*
YANG Qinyan *(appointed on 1 June 2021)*
HE Han

Independent non-executive Directors:

LAM Kai Yeung
LIU Chen Hong
KWOK Pak Shing

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 23 to 28.

There is no non-compliance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. Save as disclosed in the section "Directors and Senior Management Profile" above, there is no financial, business, family or other material relationship among members of the Board.

Board meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such regular Board meetings do not involve approval obtained from the Board by circulation of written resolutions. During the year ended 31 December 2021, four Board meetings, two Audit Committee meetings, one Nomination Committee meeting, one Remuneration Committee meeting, one EGM and annual general meeting ("**AGM**") were held and the attendance records of individual Directors are set out below:

	Directors' attendance/meetings held (for the year ended 31 December 2021)					
	Board of Directors	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**AGM**	**EGM**
Executive Directors						
LIU Dong *(Chairman)*	4/4	N/A	1/1	1/1	1/1	1/1
LIU Zongjun	4/4	N/A	N/A	N/A	1/1	1/1
CHEN Chen *(resigned on 1 June 2021)*	1/1	N/A	N/A	N/A	1/1	N/A
YANG Qinyan *(appointed on 1 June 2021)*	3/3	N/A	N/A	N/A	N/A	1/1
HE Han	4/4	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
LAM Kai Yeung	3/4	2/2	N/A	N/A	1/1	0/1
LIU Chen Hong	3/4	2/2	1/1	1/1	1/1	0/1
KWOK Pak Shing	3/4	2/2	1/1	1/1	1/1	1/1

During the year ended 31 December 2021 and up to the date of this annual report, there are three independent non-executive Directors in the Board and they represent over one third of the Board, and two of them, Mr. LAM Kai Yeung and Mr. KWOK Pak Shing have the appropriate professional qualifications under Rule 3.10(2) of the Listing Rules.

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed. Both draft and final versions of the minutes are sent to all Directors for their comment and records. Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Responsibilities of the Board and management

The Board is primarily responsible for overseeing and managing the Company's affairs, including the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objectives of the Group. The Board is also responsible for determining the Company's corporate governance policies which include: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (iv) to review the Company's disclosure in the Corporate Governance Report.

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association ("**Articles of Association**") as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the Articles of Association). With the composition of members of the Nomination Committee, Remuneration Committee and the Audit Committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved for the Board's decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with Shareholders, Board membership, delegation of authority and corporate governance.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 79 to 168 were prepared on the basis set out in note 1 to the Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the Company's financial statements is set out in the Independent Auditors' Report on pages 71 to 78.

Material uncertainty related to going concern

Code Provision C.1.3 of the Corporate Governance Code (the Code Provision has been renumbered as Code Provision D.1.3 with effect from 1 January 2022) stipulates that, unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis.

During the Year, the Group incurred a net loss of approximately RMB534,118,000. As at 31 December 2021, the Group had bank loans of RMB43,000,000 which were due for repayment during the period from March to November 2022, bonds of RMB38,227,000 which were due for repayment in February 2022, and other borrowings of RMB40,334,000 which were due for repayment in November 2022, whilst the Group had only cash and bank balances of approximately RMB35,498,000 as at 31 December 2021. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Confirmation of independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Continuous professional development

During the year ended 31 December 2021, all Directors, including, Mr. LIU Dong, Mr. LIU Zongjun, Ms. YANG Qinyan, Mr. HE Han, Mr. LAM Kai Yeung, Ms. LIU Chen Hong, and Mr. KWOK Pak Shing have been given relevant guidance materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Continuing briefings and professional development to all Directors will be arranged whenever necessary.

All Directors have provided record of training attendance and the Company will continue to arrange or fund the training in accordance with Code Provision A.6.5 (the Code Provision has been renumbered as Code Provision C.1.4 with effect from 1 January 2022).

Independent non-executive Directors

All independent non-executive Directors have entered into a letter of appointment with the Company for a specific term of three years, subject to retirement by rotation and re-election.

In accordance with the Articles of Association, at each AGM, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Mechanisms to ensure independent views

The Company ensures independent views and input are available to the Board via the below mechanisms:

1. The Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the proportion of the independent non-executive Directors and the independence of the independent non-executive director who has served for more than nine years.

2. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all its independent non-executive directors to be independent.

3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates.

4. The chairman of the Board shall meet with independent non-executive Directors at least once annually.

5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the company policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice.

Nomination Committee

The Company established the Nomination Committee on 26 June 2012 with written terms of reference in compliance with Code Provision A.5.2 (the Code Provision has been renumbered as Code Provision B.3.1 with effect from 1 January 2022). Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and according to the Nomination Policy, make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. For the year ended 31 December 2021 and up to the date of this report, the Nomination Committee comprises three members and two of them are independent non-executive Directors, namely Ms. LIU Chen Hong (being the Chairman) and Mr. KWOK Pak Shing, and one executive Director, namely Mr. LIU Dong.

During the year ended 31 December 2021, one Nomination Committee meeting was held on 25 March 2021 to, inter alia, review the structure, size and composition of the Board and the independence of independent non-executive Directors, review and confirm the effectiveness of the Company's board diversity policy and Nomination Policy, as well as discuss the matters regarding retirement and re-election of Directors.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates in accordance with the Nomination Policy, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

Remuneration Committee

The Company established the Remuneration Committee on 26 June 2012 with written terms of reference in compliance with the Listing Rules. The written terms of reference of the Remuneration Committee was adopted in compliance with Code Provision B.1.2 (the Code Provision has been renumbered as Code Provision E.1.2 with effect from 1 January 2022). Its terms of reference are available from the websites of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and to ensure that none of the Directors would determine his/her own remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that the independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. For the year ended 31 December 2021 and up to the date of this annual report, the Remuneration Committee consists of three members and two of them are independent non-executive Directors, namely Mr. KWOK Pak Shing (being the Chairman) and Ms. LIU Chen Hong, and one of them is an executive Director, namely Mr. LIU Dong.

Pursuant to Code Provision B.1.5 (the Code Provision has been renumbered as Code Provision E.1.5 with effect from 1 January 2022), the annual remuneration band of the senior management (including Directors) for the Year is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 100,000	0
100,001 to 1,500,000	5

Details of remuneration of Directors are set out in note 7 to the consolidated financial statements. No Director has waived or agreed to waive any emoluments during the year ended 31 December 2021 (2020: nil).

During the year ended 31 December 2021, one meeting was held by the Remuneration Committee on 25 March 2021 for, inter alia, reviewing the overall remuneration policy and structure relating to all Directors and senior management of the Group.

The Remuneration Committee will review the proposals made by the management on the remuneration of executive Directors and senior management and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Audit Committee

The Company established the Audit Committee on 26 June 2012 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with Code Provisions C.3.3 and C.3.7 (the Code Provisions have been renumbered as Code Provisions D.3.3 and D.3.7 with effect from 1 January 2022). Its terms of reference are available on the websites of the Company and the Stock Exchange. The Audit Committee reports to the Board and has held regular meetings since its establishment to review and make recommendations to improve the Group's financial reporting process and internal controls.

The primary duties of the Audit Committee, among other things, are to make recommendations to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting and internal control and risk management procedures of the Company. For the year ended 31 December 2021 and up to the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Mr. LAM Kai Yeung (being the Chairman), Mr. KWOK Pak Shing and Ms. LIU Chen Hong.

During the Year, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls, risk management and financial reporting matters, the effectiveness of the internal audit function and the appointment of external auditors. The Audit Committee also discussed with the external auditors and reviewed the draft annual and interim reports of the Company. The Audit Committee was satisfied that the audited consolidated financial statements of the Company were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

The Audit Committee also reviewed the Company's compliance with Corporate Governance Code during the Year. During the year ended 31 December 2021, two meetings of Audit Committee were held on 25 March 2021 and 26 August 2021, respectively, and all the members of Audit Committee during the relevant period had attended the meetings.

During the year ended 31 December 2021, the Board has not taken a different view from the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

Corporate Governance Functions

During the Year, the Board reviewed the Company's policies and practices on corporate governance and made recommendations. The Board reviewed and monitored the training and continuous professional development of Directors and senior management, reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, and reviewed the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Auditor's Remuneration

During the Year, the Company engaged Moore Stephens CPA Limited as the external auditors. The fees charged by Moore Stephens CPA Limited in respect of its provision of audit services for the year ended 31 December 2021 amounted to RMB2.0 million, all of the fees are charged for audit services to the Group.

The reporting responsibilities of Moore Stephens CPA Limited are set out in the Independent Auditors' Report on pages 71 to 78.

Company Secretary

Ms. CHAN Yin Wah of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, has been engaged by the Company as the company secretary since September 2011, her biographical detail is set out in the section headed "Directors and Senior Management Profile" in this annual report. Ms. Chan has complied with the requirements under Rule 3.29 of the Listing Rules during the Year. The primary contact person of the Company is Ms. YANG Qinyan, the executive Director in relation to any corporate secretarial matters.

Risk Management and Internal Controls

The Board is responsible for maintaining an effective internal control system to safeguard the Group's assets and Shareholders' interests, and regularly conducts review and on-going monitoring on the risk management and internal control systems to ensure the effectiveness of the implementation of the internal control system. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has maintained an internal audit function and has established its internal control system focused on risk management, including company management policies and systems in written form, clearly defined organizational structure and responsibilities authorization system, stable and reliable financial management data and reports, and stringent supervision and appraisal system on risk management and internal control.

The Group continuously improves and regulates its internal control management policies and systems by strictly complying with national laws and regulations and the regulatory requirements under the Stock Exchange. Through objective identification, analysis and evaluation of the enterprise's risk events as well as in-depth analysis of the main aspects of internal control, the Group has established its internal control management system covering major businesses and risk matters regarding to its operation and management with limited management resources to focus on core issues. The Group has adopted three-level risk management and internal control authorization structural system: the Board, senior management and Group headquarters management center as well as all of the subsidiaries. The Board is the supreme decision-making body for the Company's risk management and internal control; the senior management and Group headquarters management center achieves effective identification and control of the risks related to all material matters; and all of the subsidiaries implement direct risk management and internal control function for their respective operations.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

(1) is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules;

(2) conducts its affairs in strict compliance with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

(3) has included in the code of conduct of the Company a strict prohibition on the unauthorised use of confidential or inside information;

(4) ensures the appropriate handling and dissemination of inside information through the Company's own internal reporting processes and with reference to the outcome thereof considered by senior management.

The Group has commenced risk assessment by conducting risk ranking, and in the previous year, the significant risks were under control. In addition, the Group has formulated risk management plan to ensure the identification, assessment, management, control and reporting of all significant risks of the Group are carried out according to a unified guideline, and are reported to the senior management, the Audit Committee and the Board when necessary. Such guideline stipulates the Group's risk management policies and procedures which are carried out with the common risk management methods.

During the Year, the Board has reviewed once during the Board meeting held on 25 March 2021 the effectiveness and efficiency of the implementation of its risk management and internal control systems, which covered all material financial, operational and compliance control and risk management. The Company considered them effective and adequate.

In addition, the Board reviewed and considered the adequacy of resources, staff qualifications and experience, training programs and relevant budget of the Company's accounting, risk management, internal audit and financial reporting functions.

The Board considers that the Group was able to maintain established and effective risk management and internal control systems during the year ended 31 December 2021.

Shareholders' Rights

The Shareholders may make requisition for the convening of an extraordinary general meeting of the Company in accordance with the procedures set out in the Articles of Association as follows:

(1) Any two or more Shareholders, or any one or more Shareholders which is a recognized clearing house (or its nominee) holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, shall have the right, by written notice, to require an extraordinary general meeting to be called by the Directors of the Company for the transaction of any business specified in such requisition.

(2) Such requisition shall be made in writing to the Board or the company secretary of the Company at the following addresses:

Principal place of business of the Company in Hong Kong
Address: 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Attention: Ms. YANG Qinyan

Head office of the Company in the PRC
Address: 102, Tower C, Shangkangcheng, No. 13, Zuojiazhuangdongli, Chaoyang District, Beijing, the PRC
Attention: Ms. YANG Qinyan

(3) The requisition will be verified with the Company's branch share registrars in Hong Kong on the shareholding and upon their confirmation that such requisition is proper and in order, the Board will convene an extraordinary general meeting within 21 days from the date of deposit of the requisition, such extraordinary general meeting to be held within a further 21 days.

(4) If within 21 days of such deposit, the Board fails to proceed to convene such extraordinary general meeting, the requisitionist(s) himself (themselves) may do so in the same manner as that in which meetings may be convened by the Board, with such extraordinary general meeting to be held within three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For matters in relation to the Board, the Shareholders can contact the Company at the following:

Address: 102, Tower C, Shangkangcheng, No. 13, Zuojiazhuangdongli, Chaoyang District, Beijing, the PRC
Email: michelle@starrise.net.cn
Tel: (86) 10 8479 3988
Attention: Ms. YANG Qinyan

There is no provision in the Companies Law of the Cayman Islands or in the Articles of Association giving Shareholders a right to propose resolutions at a general meeting, Shareholders who wishes to propose a resolution must make requisition for the convening of a general meeting in accordance with the procedures set out above.

Investor Relations and Communication

The Board recognizes the importance of good communications with all Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and public investors.

The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's activities for the year ended 31 December 2021 has been provided in this annual report. While the AGM provides a valuable forum for direct communication between the Board and its shareholders, the Company also maintains its website (http://www.starrise.cn) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

For the year ended 31 December 2021, the Board reviewed and confirmed the implementation and effectiveness of the communication policy, taking into account that the Company has established communication channels to provide Shareholders and investors with timely information on the latest development of the Group.

During the year ended 31 December 2021, there has been no significant change in the Company's constitutional document.

Report of the Directors

The Directors have pleasure in presenting their directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**Financial Statements**").

Principal Activities

The principal activities of the Company is investment holding and those of the principal subsidiaries of the Company are set out in note 14 to the Financial Statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2021 and the state of financial affairs of the Group as at 31 December 2021 are set out in the consolidated financial statements on pages 79 to 168.

Having considered that the Group's financial situation for the year ended 31 December 2021, the Board does not recommend the payment of a dividend for the year ended 31 December 2021. At this point, the Board is committed to the further development of the Company in the coming years, in order to get a better return for the Shareholders.

5-year Financial Summary

A summary of the results and assets and liabilities of the Group for the last 5 financial years ended 31 December 2017 to 31 December 2021 is set out on page 6. This summary does not form part of the Financial Statements.

Share Capital

Details of movements in share capital of the Company during the Year are set out in note 24 to the Financial Statements.

Share Option Schemes

The Share Option Scheme for the Year (the "Share Option Scheme")

For the Year, the Company's Share Option Scheme was approved for adoption pursuant to a written resolution of all of our shareholders passed on 26 June 2012 for the purpose of providing our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approve from time to time.

Subject to the terms of the Share Option Scheme, the Board may, at their absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier, service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries; and (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of Shares in issue on 12 July 2012 unless the Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating 10% limit.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix VI to the Prospectus. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 26 June 2012 to 25 June 2022. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination. The Share Option Scheme was terminated by the ordinary resolution of the shareholders in the extraordinary general meeting on 19 January 2022.

The exercise price per share of the Company for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

(1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option ("**Date of Grant**") which must be a trading day;

(2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and

(3) the nominal value of the shares on the Date of Grant.

Upon acceptance of the options, the grantee shall pay HK$1 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the Date of Grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 4.86% of the shares in issue of the Company as at the date of this annual report.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by its shareholders in accordance with the Listing Rules.

Since the adoption of the Share Option Scheme and during the Year, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

Apart from the aforesaid Share Option Scheme, at no time during the year ended 31 December 2021 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

New Share Option Scheme adopted on 20 January 2022 (the "New Share Option Scheme")

As the Share Option Scheme had a term of ten (10) years and would expired on 25 June 2022, the Board proposed to (i) terminate the Share Option Scheme in accordance with its terms; and (ii) adopt the New Share Option Scheme for the approval by the Shareholders in the extraordinary general meeting on 19 January 2022. On 19 January 2022, the shareholders of the Company passed the ordinary resolutions to (i) terminate the Share Option Scheme; and (ii) adopt the New Share Option Scheme. The New Share Option Scheme was adopted with effect from 20 January 2022.

Set out below is a summary of the principal terms of the New Share Option Scheme:

1. Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to enable the Group to grant Options to selected participants as incentives or rewards for their contribution to the Group, in particular:

(a) to motivate them to optimise their performance and efficiency for the benefit of the Group; and

(b) to attract and retain or otherwise maintain ongoing business relationships with them whose contributions are or will be beneficial to the Group.

2. Who May Join

The Board may, at its discretion, invite any person belonging to any class of the Eligible Participants to take up Options to subscribe for Shares.

3. Grant of Options and Acceptance of Offers

The Board shall, in accordance with the provisions of the New Share Option Scheme and the Listing Rules, be entitled but shall not be bound, at any time within a period of ten (10) years commencing on the Adoption Date to make an Offer to such Eligible Participant as the Board may in its discretion select to subscribe for such number of Shares at the Exercise Price as the Board shall determine.

The Board shall not make an Offer to any Eligible Participant after inside information has come to its knowledge until (and including) the trading day after the Company has announced the information pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce its results for any year or half-year, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted.

The Board shall forward to the Eligible Participant an offer document in such form as the Board may from time to time determine. The Offer shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including his Personal Representative(s)) for a period of ten (10) Business Days provided that no such Offer shall be open for acceptance after the Termination Date or after the New Share Option Scheme has been terminated.

An Option shall be deemed to have been granted and accepted by the Grantee and to have taken effect when the duplicate offer document constituting acceptances of the Options duly signed by the Grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

4. Exercise Price

The Exercise Price in respect of any Option shall, subject to any adjustments made pursuant to the terms in the New Share Option Scheme, be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

(a) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant;

(b) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five (5) Business Days immediately preceding the Date of Grant; and

(c) the nominal value of the Shares.

5. Maximum Number of the Shares Available for Subscription

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the date of approval of the Shareholders for the adoption of the New Share Option Scheme (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to Options which have lapsed in accordance with the terms of the New Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(a) renew the Scheme Limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by the shareholders of the Company in general meeting; and/or

(b) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the Options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of the Company (including the New Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which Options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the New Share Option Scheme whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, sub-division of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed herein.

6. Maximum Entitlement of Each Grantee

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding Options and Shares which were the subject of Options which have been granted and accepted under the New Share Option Scheme or any other scheme of the Company but subsequently cancelled) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the Date of Grant. Any further grant of Options in excess of this 1% limit shall be subject to:

(a) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(b) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person of the Company) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such Eligible Participant must be fixed before the Company's Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the Options to such Eligible Participant shall be taken as the Date of Grant for the purpose of calculating the subscription price of the Shares.

7. Grant of Options to Connected Persons

Any grant of Options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the Grantee).

If the Board proposes to grant Options to a substantial shareholder or any independent non-executive director of the Company or their respective associates which will result in the number of Shares issued and to be issued upon exercise of Options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange at the date of each grant,

such further grant of Options will be subject to the approval of the independent non-executive directors of the Company as referred to in this paragraph, the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which the Grantee, his associates and all core connected persons of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by the Company to its shareholders pursuant to this paragraph shall contain the following information:

(a) the details of the number and terms (including the exercise price) of the Options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting of the Company and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such Options;

(b) a recommendation from the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the Grantee of the Options) to the independent shareholders of the Company as to voting;

(c) the information required under Rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(d) the information required under Rule 2.17 of the Listing Rules.

Parties that are required to abstain from voting in favour at the general meeting referred to in this paragraph may vote against the resolution at the general meeting of the Company provided that their intention to do so has been stated in the circular to shareholders of the Company.

8. Rights of Grantees

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or attempt to do so (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the New Share Option Scheme may be registered). Any breach of the foregoing by a Grantee shall entitle the Company to cancel any outstanding Options or any part thereof granted to such Grantee.

An Option shall be exerciseable in whole or in part in accordance with the terms and conditions of the New Share Option Scheme by the Grantee by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised. Such notice is to be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given.

The Shares to be allotted upon the exercise of an Option will not carry voting rights or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) until completion of the registration of the Grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of Options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

9. Time of Exercise of an Option

A period (which may not end later than ten (10) years from the Offer Date) to be determined and notified by the Board to the Grantee thereof and, in the absence of such determination, from the date of acceptance of the offer of such Option to the earlier of the date on which such Option lapses and ten (10) years from the Date of Grant.

The Board may, at its absolute discretion, fix any minimum period for which an Option must be held and any other conditions that must be fulfilled before the Options can be exercised upon the grant of an Option to an Eligible Participant.

Subject as hereinafter provided, an Option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:

(a) in the event of the Grantee, who is an employee of the Group at the time of the grant of the Option, ceasing to be an employee thereof by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its Subsidiaries specified in the New Share Option Scheme has occurred, the Grantee or, as appropriate, his Personal Representative(s) may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of the New Share Option Scheme within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death;

(b) in the event that the Grantee, who is an employee of the Group at the time of the grant of the Option, ceases to be an employee thereof by reason other than his death, ill-health, injury, disability or termination of his relationship with the Company and/or any of its Subsidiaries on one of more of the grounds specified in the New Share Option Scheme, the Grantee may exercise the Option up to the entitlement of the Grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not;

(c) if a general offer is made to all the shareholders of the Company (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Hong Kong Code on Takeovers and Mergers)) and such general offer becomes or is declared unconditional during the Option Period of the relevant Option, the Grantee of an Option shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which the offer becomes or is declared unconditional;

(d) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees and thereupon, each Grantee (or his Personal Representative(s)) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than two Business Days prior to the date of the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the Grantee credited as fully paid;

(e) if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the Grantees of the Options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any Grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given (such notice to be received by the Company no later than two (2) Business Days prior to the date of the proposed meeting), exercise the Option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the Option credited as fully paid and register the Grantee as holder thereof. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of Grantees to exercise their respective Options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

10. Performance Target

The Board may, at its absolute discretion, fix any performance targets that must be achieved and any other conditions that must be fulfilled before the Options can be exercised upon the grant of an Option to an Eligible Participant.

11. Reorganisation of Capital Structure

In the event of any alteration in the capital structure of the Company whilst any Option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding Options and/or the subscription price per Share of each outstanding Option and/or the Scheme Limit, the New Scheme Limit and the Maximum Limit as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes. The capacity of the auditors of the Company or the approved independent financial adviser, as the case may be, in this Clause is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the Grantees.

12. Early Termination of Option Period

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the date of expiry of the option as may be determined by the Board;

(b) the expiry of any of the periods referred to in paragraph 9;

(c) the date on which the scheme of arrangement of the Company referred to in paragraph 9(e) becomes effective;

(d) subject to paragraph 9(d), the date of commencement of the winding-up of the Company;

(e) the date on which the Grantee ceases to be an Eligible Participant by reason of such Grantee's resignation from the employment of the Company or any of its Subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(f) the date on which the Board shall exercise the Company's right to cancel the Option at any time after the Grantee commits a breach referred to in paragraph 8 or the Options are cancelled in accordance with the terms of the New Share Option Scheme.

13. Cancellation of Option Granted

Any cancellation of Options granted but not exercised must be approved by the Grantees of the relevant Options in writing. For avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph 12 above.

14. Alteration of the New Share Option Scheme

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

(a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(b) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of Options granted shall first be approved by the shareholders of the Company in general meeting provided that if the proposed alteration shall adversely affect any Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the Grantees' approval in accordance with the terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by shareholders of the Company in general meeting.

15. Termination

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

On 27 January 2022, the Board resolved to grant share options to certain participants under the New Share Option Scheme (the "**Grantees**") to subscribe for a total of 144,440,000 ordinary shares with a nominal value of US$0.01 each of the Company, which represent approximately 6.71% of the issued share capital of the Company on 27 January 2022. The share options were granted to the Grantees on 27 January 2022 and all the share options were vested immediately on the date of grant.

Details of the movement of share options under the New Share Option Scheme after the Reporting Period are as follows:

Grantee	Date of grant	Number of the Option under the New Share Option Scheme granted	Vesting date	Exercisable period	Exercised Price (HK$)	Granted after the Reporting Period	Exercised after the Reporting Period	Cancelled/ Lapsed after the Reporting Period	Number of options at Latest Practicable Date of this report
Employees of the Group	27 January 2022	144,400,000	The Options shall vest immediately on the date of grant	Exercisable within 24 months from the date of grant	HK$0.181 per Share	144,400,000	0	144,400,000	0

For details, please refer to the announcement of the Company dated 27 January 2022 and the circular of the Company dated 24 December 2021.

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

At no time during the year ended 31 December 2021 which the Company, its subsidiaries, its associate, its fellow subsidiaries or its holding company was a party to any arrangements in order to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other legal entities.

Distributable Reserves

The Company was incorporated in the Cayman Islands on 24 February 2010. As at 31 December 2021, the Company did not have distributable reserves available for distribution to the Shareholders.

Major Customers and Suppliers

Total sales to the Company's five largest customers accounted for approximately 96% of the total sales for the Year and sales to the largest customer included therein accounted for approximately 80% thereof. Total purchases from the Company's five largest suppliers accounted for approximately 95% of the total purchases for the Year and purchases from the largest supplier included therein accounted for approximately 40% thereof.

To the best knowledge and belief of the Directors, neither the Directors or their associates, nor any Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the Year.

Subsidiaries and Associated Companies

The details of the major subsidiaries of the Group are set out in notes 14 to the Financial Statements.

Property, Plant and Equipment and Leasehold Land

During the Year, the Group has capital expenditure of RMB13.9 million (2020: approximately RMB194,000 thousand) which was mainly used for acquisition of property, machinery and equipment. The details of the changes in the properties, plant and equipment and leasehold land of the Group during the Year are set out in note 10 to the Financial Statements.

Borrowings

Particulars of borrowings of the Group during the Year are set out in notes 20 and 21 to the Financial Statements. As at 31 December 2021, the Group did not have any machinery and equipment pledged to bank as securities for the bank borrowings (2020: Nil) and no machinery and equipment were held under finance lease (2020: Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors

The Directors during the Year and up to the date of this annual report are:

LIU Dong *(Chairman)*
LIU Zongjun *(Chief Executive Officer)*
CHEN Chen *(resigned as an executive Director with effect from 1 June 2021)**
YANG Qinyan *(appointed as an executive Director with effect from 1 June 2021)*
HE Han
LAM Kai Yeung
LIU Chen Hong
KWOK Pak Shing

* Details regarding Ms. CHEN's resignation are set out in the Company's announcement dated 31 May 2021.

Directors and Directors' Service Contracts

Executive Directors

Each of Mr. LIU Dong and Mr. LIU Zongjun has renewed the service contract with the Company for a term of three years commencing on 12 April 2021. Ms. YANG Qinyan has entered into the service contract with the Company for a term of three years commencing on 1 June 2021. Mr. HE Han has renewed the service contract with the Company for a term of three years commencing on 8 November 2022.

Independent non-executive Directors

Ms. LIU Chen Hong has renewed the letter of appointment with the Company for a term of three years commencing on 18 April 2021. Mr. LAM Kai Yeung has renewed the letter of appointment with the Company for a term of three years commencing on 30 January 2022. Mr. KWOK Pak Shing has renewed the letter of appointment with the Company for a term of three years commencing on 27 March 2023.

None of the Directors has entered into any service contract which is not determinable by the Company or any of its subsidiaries within 1 year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

In accordance with the Articles of Association, one third of the existing Directors shall retire from office, at the forthcoming AGM.

Biographies of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 23 to 28 of this annual report.

Non-competition Undertaking by Controlling Shareholders

The Company has entered into the deed of non-competition in favour of the Company with Mr. LIU Dong and Excel Orient Limited (the "**Controlling Shareholders**"). Each of the Controlling Shareholders has made an annual declaration in respect of their compliance with the terms of non-competition undertaking.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms, and that there was no New Opportunity (as defined in the Prospectus headed "Relationship with Controlling Shareholders – Non-compete undertakings") referred by the Controlling Shareholders as provided under the non-competition undertaking.

Interests and Short Positions of Directors and Chief Executives of the Company in the Shares, Underlying Shares or Debentures of the Company or Its Associated Corporations

As at 31 December 2021, the Directors and chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of Directors	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Mr. LIU Dong *(Note 3)*	The Company	Interest of a controlled corporation	307,809,902 (L)	14.31%
Mr. HE Han	The Company	Beneficial owner	13,998,000 (L)	0.65%

Notes:

1. The letter "L" denotes the Directors' long position in the shares of the Company or the relevant associated corporation.

2. Total issued share of the Company as at 31 December 2021 is 2,151,577,026.

3. The shares are held by Excel Orient Limited which is a company incorporated in the British Virgin Islands (BVI) and the entire issued capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholder and the executive Directors of the Company.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

Interest Discloseable under the SFO and Substantial Shareholders

As at 31 December 2021, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders of the Company	Capacity/nature of interest	Number of Shares and underlying Shares held/interested *(Note 1)*	Approximate percentage of shareholding
Cinedigm Corp. *(Note 2)*	Beneficial owner	366,590,397 (L)	17.04%
Excel Orient Limited *(Note 3)*	Beneficial owner	307,809,902 (L)	14.31%
Ms. WANG Lingli *(Note 4)*	Family interest	307,809,902 (L)	14.31%
Aim Right Ventures Limited ("**Aim Right**") *(Note 5)*	Beneficial owner	320,512,820 (L)	14.90%
Mr. LIU Zhihua *(Note 5)*	Interests of a controlled corporation	320,512,820 (L)	14.90%
Emerge Ventures Limited *(Note 6)*	Beneficial owner	171,926,000 (L)	7.99%
Mr. JIN Peng *(Note 6)*	Interests of a controlled corporation	171,926,000 (L)	7.99%
Ms. SHEN Si *(Note 7)*	Family interest	171,926,000 (L)	7.99%
Jinbi Market (Hong Kong) Limited *(Note 8)*	Beneficial owner	303,609,790 (L)	14.11%
Yunnan Jinma Biji Tourism Hypermall Co., Ltd.* (雲南金馬碧雞旅遊商城股份有限公司) *(Note 8)*	Interests of a controlled corporation	303,609,790 (L)	14.11%
Kunming Municipal Infrastructure Integrated Development and Construction (Group) Shares Co., Ltd.* (昆明市政基礎設施綜合開發建設(集團)股份有限公司) *(Note 8)*	Interests of a controlled corporation	303,609,790 (L)	14.11%
Pioneer Investment Co., Ltd* (先鋒投資有限公司) *(Note 8)*	Interests of a controlled corporation	303,609,790 (L)	14.11%
SHI Zhengming *(Note 8)*	Interests of a controlled corporation	303,609,790 (L)	14.11%
Tai Group Co., Limited *(Note 9)*	Beneficial owner	184,810,126 (L)	8.59%
DENG Di *(Note 9)*	Interests of a controlled corporation	184,810,126 (L)	8.59%
ZHU Shanshan *(Note 10)*	Family interest	184,810,126 (L)	8.59%
BeiTai Investment LP *(Note 11)*	Beneficial owner	128,205,128 (L)	5.96%
BeiTai Investment Limited *(Note 11)*	Interests of a controlled corporation	128,205,128 (L)	5.96%

* *for identification purposes only*

Notes:

1. The letter "L" denotes the long position of the persons/entities (other than the Directors or chief executive of the Company) in the shares of the Company or the relevant associated corporation.

2. Cinedigm Corp. is a company registered in Delaware with its Class A Common Stock listed on the NASDAQ Global Market with stock code: CIDM.

3. Excel Orient Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholder and the executive Directors of the Company. Therefore, Mr. LIU Dong is also deemed to be interested in the shares held by Excel Orient Limited.

4. Ms. WANG Lingli is the spouse of Mr. LIU Dong. Therefore, Ms. WANG Lingli is deemed, or taken to be interested in the shares of the Company which Mr. LIU Dong is interested in for the purpose of the SFO.

5. The Shares are held by Aim Right Ventures Limited ("**Aim Right**"), a limited liability company incorporated in the BVI which is wholly owned by Mr. LIU Zhihua ("**Mr. LIU**"). By virtue of the SFO, Mr. LIU is deemed to be interested in all the Shares held by Aim Right.

6. The entire issued share capital of Emerge Ventures Limited (a limited company incorporated in Hong Kong) is wholly owned by Mr. JIN Peng. Therefore, Mr. JIN Peng is deemed to be interested in all the Shares held by Emerge Ventures Limited.

7. Ms. SHEN Si is the spouse of Mr. JIN Peng. Therefore, Ms. SHEN Si is deemed, or taken to be interested in the shares of the Company which Mr. JIN Peng is interested in for the purpose of the SFO.

8. Jinbi Market (Hong Kong) Limited*（金碧商城（香港）有限公司）("**Jinbi Market**") is a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is wholly owned by Yunnan Jinma Biji Tourism Hypermall Co., Ltd.*（雲南金馬碧雞旅游商城股份有限公司）("**Yunnan Jinma**"). The entire issued share capital of Yunnan Jinma is owned as to 83.72% by Kunming Municipal Infrastructure Integrated Development and Construction (Group) Shares Co., Ltd.*（昆明市政基礎設施綜合開發建設（集團）股份有限公司）("**Kunming Construction**") and as to 2.33% by Pioneer Investment Co., Ltd*（先鋒投資有限公司）("**Pioneer Investment**"), and the remaining 13.95% being held by 4 other independent third parties with their respective shareholdings not exceeding 10% of the issued share capital of Yunnan Jinma. The entire issued share capital of Kunming Construction is owned (a) as to 69.34% by Pioneer Investment, which in turn is owned as to 70% by SHI Zhengmin（石政民）and 30% by SHI Yimin（石義民）; (b) as to 8.17% by CHEN Hongbing（陳宏兵）; and (c) as to the remaining 22.49% being held by 4 other independent third parties (with their ultimate beneficial shareholders being State-own Legal-person Shareholder) with their respective shareholdings not exceeding 10% of the issued share capital of Kunming Construction.

9. Tai Group Co., Limited ("**Tai Group**") is a limited company incorporated in Hong Kong, with all its share capital in issue beneficially owned by Mr. DENG Di. Therefore, Mr. DENG Di is deemed to be interested in all the Shares held by Tai Group.

10. Ms. ZHU Shanshan is the spouse of Mr. DENG Di. Therefore, Ms. ZHU Shanshan is deemed, or taken to be interested in the shares of the Company which Mr. DENG Di is interested in for the purpose of the SFO.

11. BeiTai is controlled by BeiTai Investment Limited. By virtue of the SFO, BeiTai Investment Limited is deemed to be interested in all the Shares which BeiTai is interested in.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had, or were deemed to have interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Issuance of shares under general mandate

On 5 January 2021, the Company issued 101,137,134 new shares (the "**Subscription Shares**") to Jinbi Market under the general mandate (the "**2021 Issuance of Shares**"), at the subscription price of HK$0.156 per Subscription Share, pursuant to the subscription agreement dated 5 January 2021 entered into between the Company and Jinbi Market. The completion (the "**Completion**") took place on 19 January 2021.

The 101,137,134 Subscription Shares, representing (i) approximately 7.14% of the issued share capital of the Company immediately before the Completion; and (ii) approximately 6.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares as at the date of the Completion. The aggregate nominal value of the Subscription Shares (with a par value of US$0.01 each) shall be US$1,011,371.34. The issue price of the Subscription Shares in the amount of HK$0.156, represents a discount of approximately 17.46% of the closing price of HK$0.189 per Share on 5 January 2021, being the date of the subscription agreement.

The gross proceeds of the 2021 Issuance of Shares are approximately HK$15.78 million, and the net proceeds of the 2021 Issuance of Shares are approximately HK$15.73 million, which were intended to be used for the settlement of principal and interest of the Bonds if the Company is called upon to redeem the convertible bonds without conversion or to apply for settlement of the Group's other debts and liabilities as they fall due, if the convertible bonds are converted without redemption.

As at the date of this report, the proceeds of the 2021 Issuance of Shares has been fully utilized. For details of the 2021 Issuance of Shares, please refer to the announcements of the Company dated 5 January 2021 and 19 January 2021.

Adjustment to the Conversion Price of the Convertible Bonds

On 28 February 2017, the Company issued convertible bond (the "**2017 CB**") under special mandate to Dragon Capital. On 5 February 2018, the Company issued 209,000,000 new Shares under general mandate (the "**2017 Issuance**"), which resulted in adjustments to conversion price of the 2017 CB (the "**2017 Adjustment**"). For details of the 2017 Issuance and 2017 Adjustment, please refer to the announcements of the Company dated 17 January 2018 and 5 February 2018.

As at 1 January 2021, an aggregate principal amount of HK$100,000,000 of 2017 CB was held by Dragon Capital Entertainment Fund One LP ("**Dragon Capital**").

On 19 January 2021, the Company issued 101,137,134 new shares to Jinbi Market under the 2021 Issuance of Shares, which resulted in adjustments to conversion price of the 2017 CB to HK$0.156 per conversion share. For details of the 2021 Issuance and the adjustment of conversion price, please refer to the announcements of the Company dated 5 January 2021 and 19 January 2021.

On 26 February 2021, BeiTai Investment LP ("**BeiTai**") exercised the conversion rights to convert all of the BeiTai Transferred Bonds at the adjusted conversion price of HK$0.156 per conversion share into 128,205,128 Shares. For details of the conversion, please refer to the announcement of the Company dated 25 February 2021.

On 12 April 2021, the Company redeemed the 2017 CB in the aggregate principal amount of HK$50,000,000 held by Dragon Capital.

On 7 May 2021, the Company and Dragon Capital agreed (upon the approval and ratification of the Shareholders of the Company) to extend the maturity date of the remaining 2017 CB with an aggregate principal amount of HK$50,000,000 from 28 February 2021 to 30 June 2021. On 16 June 2021, Shareholders of the Company approved the extension of the maturity date of the remaining 2017 CB to 30 June 2021.

On 30 June 2021, Dragon Capital transferred part of the 2017 CB with an aggregate principal amount to HK$50,000,000 to Aim Right, which could be converted into 320,512,820 ordinary Shares at the adjusted conversion price of HK$0.156 per conversion share. On 30 June 2021, the 2017 CB with an amount of HK$50,000,000 held by Aim Right were converted into 320,512,820 ordinary Shares at the adjusted conversion price of HK$0.156 per conversion share. For the details of the conversion, please refer to the announcement of the Company dated 30 June 2021.

As at 31 December 2021, there were no convertible bonds which had not yet been redeemed or converted.

Issuance of Consideration Shares

On 3 December 2021, pursuant to the purchase and sale agreement entered into between the Company and Tai Group on 18 November 2021, the Company issued 184,810,126 new shares to Tai Group under general mandate at the issue price of HK$0.158 per shares to settle the consideration (the "**Consideration Share Issuance**"). The Issue Price of HK$0.158 per consideration share represents an equivalent of the closing price of HK$0.158 per Share on the date of the sale and purchase agreement. For the details of the Consideration Share Issuance, please refer to the announcements of the Company dated 18 November 2021 and 3 December 2021.

Contractual Arrangements

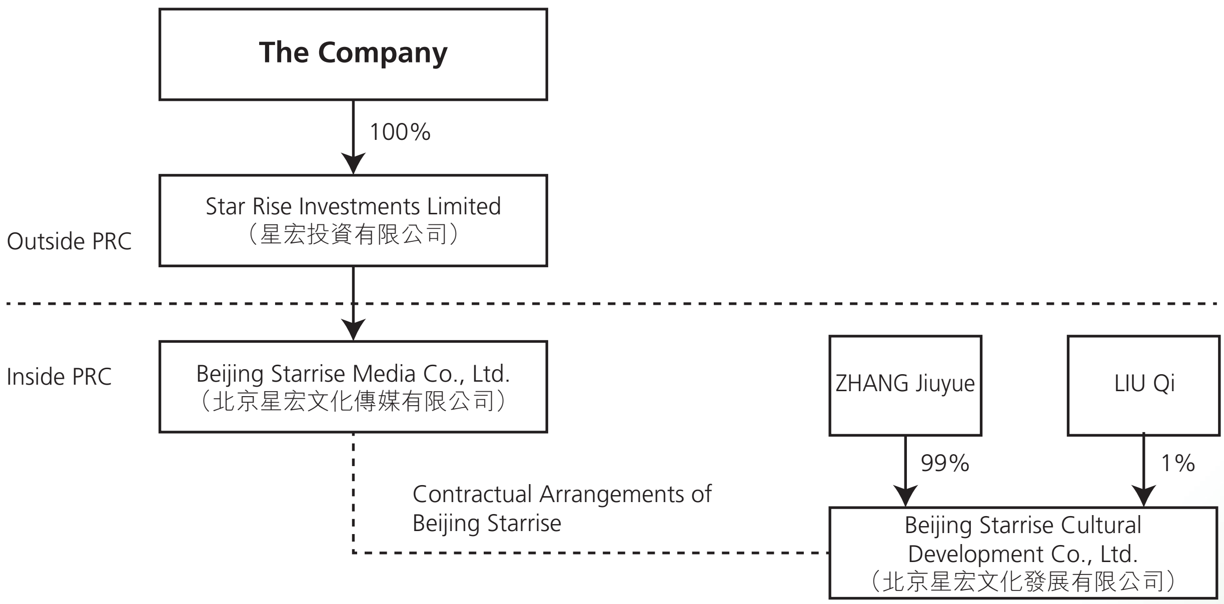
The brief descriptions of the major terms of the structured contracts under the contractual arrangements of Beijing Starrise Cultural Development Co., Ltd (北京星宏文化發展有限公司) ("**Beijing Starrise**" or the "**PRC Operational Entities**") and Beijing Starrise Pictures Co., Ltd., effective until 31 December 2021 (the "**Contractual Arrangements of Beijing Starrise**"), which was terminated on 1 August 2021 (the "**Former Contractual Arrangements of Starrise Pictures**"), are as follows:

(Contractual Arrangements of Beijing Starrise and the Contractual Arrangements of Starrise Pictures, collectively, the "**Contractual Arrangements**")

The Contractual Arrangements of Beijing Starrise

1. Diagram of the Contractual Arrangements of Beijing Starrise

The following simplified diagram illustrates the flow of economic benefits from Beijing Starrise to the Company under the Contractual Arrangements of Beijing Starrise:



2. Structured Contracts of Beijing Starrise

In relation to Contractual Arrangements of Beijing Starrise, Beijing Starrise Media Co., Ltd., Beijing Starrise and its registered shareholders entered into a series of contracts, including the exclusive technology support and service agreement ("**Exclusive Technology Support and Services Agreement 2016**"), the exclusive option agreement ("**Exclusive Option Agreement 2016**"), the equity pledge agreement ("**Equity Pledge Agreement 2016**") and the power of attorney ("**Power of Attorney 2016**"). The registered shareholders (the "**Registered Shareholders**") of Beijing Starrise are Ms. Zhang Jiuyue and Ms. Liu Qi.

(1) Exclusive Technology Support and Services Agreement 2016

Beijing Starrise Media Co., Ltd., Beijing Starrise and the Registered Shareholders entered into the Exclusive Technology Support and Services Agreement 2016, pursuant to which Beijing Starrise agrees to engage Beijing Starrise Media Co., Ltd. as its exclusive technology and service provider. The Exclusive Technology Support and Services Agreement 2016 is for an initial term of 10 years commencing from the date of the agreement (i.e. 26 May 2016), which can be extended for another 10 years at the option of Beijing Starrise Media Co., Ltd. on a recurring basis, until it is terminated by Beijing Starrise Media Co., Ltd. by giving a prior written notice of termination. Beijing Starrise and the Registered Shareholders are not contractually entitled to terminate the Exclusive Technology Support and Services Agreement 2016.

(2) Exclusive Option Agreement 2016

Beijing Starrise Media Co., Ltd., the Registered Shareholders and Beijing Starrise entered into the Exclusive Option Agreement 2016, pursuant to which the Registered Shareholders irrevocably grant Beijing Starrise Media Co., Ltd. or the person as designated by Beijing Starrise Media Co., Ltd. exclusive options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Beijing Starrise, entirely or partially, at the minimum purchase price permitted by PRC laws and regulations.

(3) Equity Pledge Agreement 2016

Beijing Starrise Media Co., Ltd., the Registered Shareholders and Beijing Starrise entered into the Equity Pledge Agreement 2016, pursuant to which the Registered Shareholders shall pledge all of their respective equity interests in Beijing Starrise to Beijing Starrise Media Co., Ltd. to secure the performance of all their obligations under the Contractual Arrangements and the obligations of the Registered Shareholders and Beijing Starrise under the Contractual Arrangements of Beijing Starrise. Under the Equity Pledge Agreement 2016, if any of the Registered Shareholders and/or Beijing Starrise breaches any obligation under the Contractual Arrangements of Beijing Starrise, Beijing Starrise Media Co., Ltd., as the pledgee, is entitled to request the Registered Shareholders to transfer the pledged equity interests, entirely or partially, to Beijing Starrise Media Co., Ltd. and/or any entity or person as designated by Beijing Starrise Media Co., Ltd.

(4) ***Power of Attorney 2016***

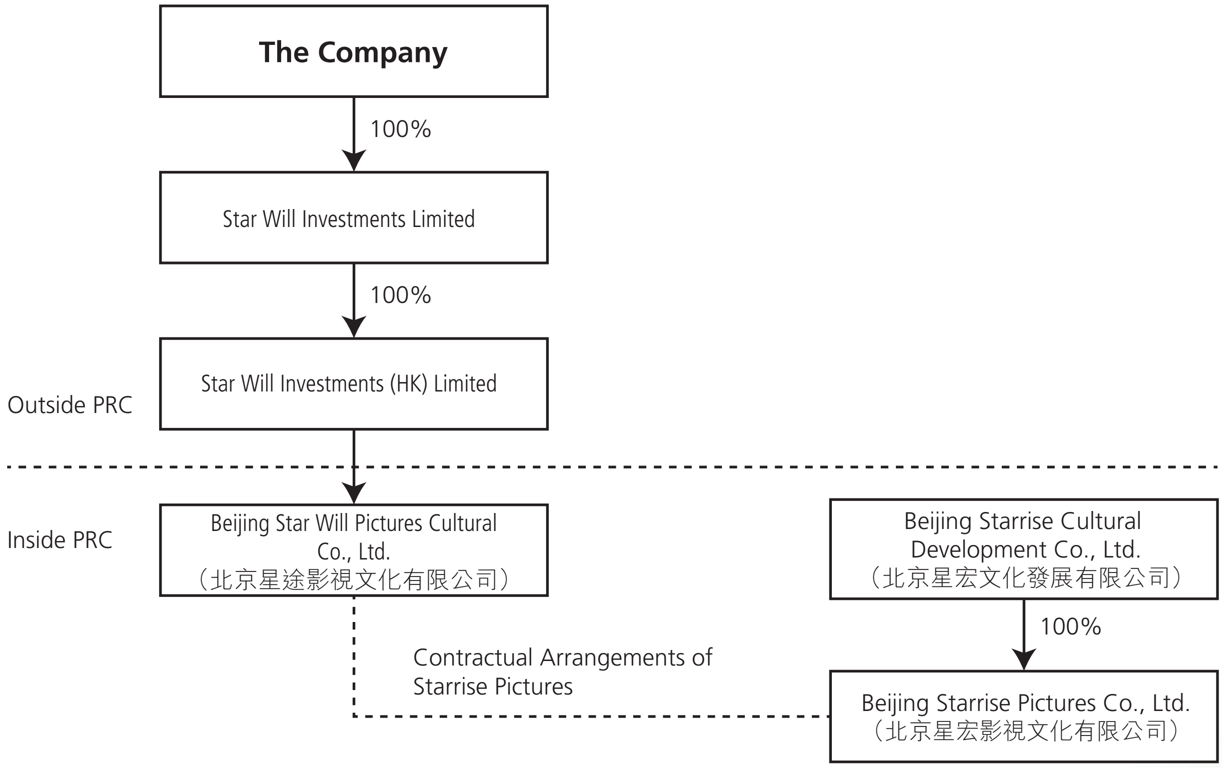
Each of the Registered Shareholders issued a power of attorney in favor of Beijing Starrise Media Co., Ltd., pursuant to which they irrevocably authorize Beijing Starrise Media Co., Ltd. to exercise all of their rights and powers as shareholders of Beijing Starrise, including (i) rights to attend shareholders' meeting and sign relevant shareholders' resolutions; (ii) rights to exercise shareholders' rights including, without limitation, voting rights, nomination rights and appointment rights in a shareholders' meeting; (iii) rights to file documents with relevant governmental authorities or regulatory bodies; (iv) rights to receive dividends relating to disposal of, transfer, pledge or dealing with all or part of the equity interests of Beijing Starrise or to be entitled to any distribution upon liquidation of Beijing Starrise; and (v) any other rights as shareholders of Beijing Starrise.

During the year ended 31 December 2021, none of the Structured Contracts of Beijing Starrise above has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

Termination of the Contractual Arrangements of Starrise Pictures

1. Diagram of the Contractual Arrangements of Starrise Pictures

The following simplified diagram illustrates the flow of economic benefits from Beijing Starrise Pictures Co., Ltd. ("**Starrise Pictures**") to the Company under the Starrise Pictures Contractual Arrangements prior to its termination:



2. Structured Contracts of Starrise Pictures

In relation to Contractual Arrangements of Starrise Pictures, Beijing Star Will Pictures Cultural Co., Ltd. ("**Beijing Star Will**"), Starrise Pictures, Beijing Starrise and Mr. GUO Dongjun entered into a series of contracts, including the exclusive technology support and service agreement ("**Exclusive Technology Support and Services Agreement 2016**"), the exclusive option agreement ("**Exclusive Option Agreement 2016**"), the equity pledge agreement ("**Equity Pledge Agreement 2016**") and the power of attorney ("**Power of Attorney 2016**"). After Mr. GUO Dongjun sold all of his 35% shares of Star Will Investment Limited to the Company, all contracted parties signed a series of supplemental agreements, including the supplementary agreements of exclusive option agreement ("**Supplementary Agreement of Exclusive Option Agreement 2018**"), the supplementary agreements of exclusive technology support and service agreement ("**Supplementary Agreement of Exclusive Technology Support and Services Agreement 2018**"), the supplementary agreements of equity pledge agreement ("**Supplementary Agreement of Equity Pledge Agreement 2018**") and the power of attorney ("**Power of Attorney 2018**"). The current registered shareholder of Starrise Pictures is Beijing Starrise.

(1) Exclusive Technology Support and Services Agreement 2016 and Supplementary Agreement of Exclusive Technology Support and Services Agreement 2018

Beijing Star Will, Starrise Pictures, Beijing Starrise and Mr. Guo Dongjun entered into the Exclusive Technology Support and Services Agreement 2016 and the Supplementary Agreement of Exclusive Technology Support and Services Agreement 2018 on 22 December 2016 and 22 December 2018 respectively, pursuant to which Starrise Pictures agrees to engage Beijing Star Will as its exclusive technology and service provider. The Exclusive Technology Support and Services Agreement 2016 (as revised by the Supplementary Agreement of Exclusive Technology Support and Services Agreement 2018) is for an initial term of 10 years commencing from the date of the agreement, which can be extended for another 10 years at the option of Beijing Star Will on a recurring basis, until it is terminated by Beijing Star Will by giving a prior written notice of termination. Starrise Pictures and its shareholder are not contractually entitled to terminate the Exclusive Technology Support and Services Agreement 2016 (as revised by the Supplementary Agreement of Exclusive Technology Support and Services Agreement 2018).

(2) Exclusive Option Agreement 2016 and Supplementary Agreement of Exclusive Option Agreement 2018

Beijing Star Will, Starrise Pictures, Beijing Starrise and Mr. Guo Dongjun entered into the Exclusive Option Agreement 2016 and Supplementary Agreement of Exclusive Option Agreement 2018 on 22 December 2016 and 22 December 2018 respectively, pursuant to which Beijing Starrise irrevocably grant to Beijing Star Will or the person as designated by Beijing Star Will exclusive options to purchase, to the extent permitted by PRC laws and regulations, their equity interests or assets in Starrise Pictures, entirely or partially, at the minimum purchase price permitted by PRC laws and regulations.

(3) Equity Pledge Agreement 2016 and Supplementary Agreement of Equity Pledge Agreement 2018

Beijing Star Will, Starrise Pictures, Beijing Starrise and Mr. Guo Dongjun entered into the Exclusive Equity Pledge Agreement 2016 and Supplementary Agreement of Equity Pledge Agreement 2018 on 22 December 2016 and 22 December 2018 respectively, pursuant to which Beijing Starrise shall pledge all of their respective equity interests in Starrise Pictures to Beijing Star Will to secure the performance of all their obligations under the Contractual Arrangements and the obligations of the Beijing Starrise and Starrise Pictures under the Contractual Arrangements of Starrise Pictures. Under the Equity Pledge Agreement 2016 (as revised by the Supplementary Agreement of Equity Pledge Agreement 2018), if any of Beijing Starrise and/or Starrise Pictures breaches any obligation under the Contractual Arrangements of Starrise Pictures, Beijing Star Will, as the pledgee, is entitled to request Beijing Starrise to transfer the pledged equity interests, entirely or partially, to Beijing Star Will and/or any entity or person as designated by Beijing Star Will.

(4) Power of Attorney 2016 and Power of Attorney 2018

Beijing Starrise issued Power of Attorney 2016 and Power of Attorney 2018 in favor of Beijing Star Will on 22 December 2016 and 22 December 2018 respectively, pursuant to which they irrevocably authorize Beijing Star Will to exercise all of their rights and powers as shareholders of Beijing Starrise, including, but not limit to, (i) rights to attend shareholders' meeting and sign relevant shareholders' resolutions; (ii) rights to exercise shareholders' rights including, without limitation, voting rights, nomination rights and appointment rights in a shareholders' meeting; (iii) rights to file documents with relevant governmental authorities or regulatory bodies; (iv) rights to receive dividends relating to disposal of, transfer, pledge or dealing with all or part of the equity interests of Starrise Pictures or to be entitled to any distribution upon liquidation of Starrise Pictures; and (v) any other rights as shareholders of Starrise Pictures.

On 1 August 2021, Beijing Star Will, Beijing Starrise and Starrise Pictures entered into a termination agreement to terminate the Contractual Arrangement of Starrise Pictures. Beijing Star Will was deregistered subsequently on 27 October 2021.

Save as disclosed above, there are no contractual arrangements entered into, renewed or reproduced by the Group during the year ended 31 December 2021.

Particulars of the PRC Operational Entities as at 31 December 2021:

Name of the PRC Operational Entities	Date of Establishment	Type of legal entity/ place of establishment and operation	Registered owners	Business activities
Beijing Starrise	May 2016	Limited liability company/the PRC	99% by ZHANG Jiuyue and 1% by LIU Qi	Engaging in investment, production and distribution of film and television series and related businesses through subsidiaries

The PRC Operational Entities are significant to the Group as they hold certain licenses and permits that are essential to the operation of the business of the Group through subsidiaries, such as the Radio and Television Program Production and Business Operation License (廣播電視節目製作經營許可證), the Teleplays Distribution License (電視劇發行許可證). In addition, most of the intellectual property rights, including film and television broadcast rights, audio and video products distribution rights of film and television series, information network publication rights of film and television series, are held by the PRC Operational Entities through subsidiaries.

The revenue and the total asset of the PRC Operational Entities subject to the Contractual Arrangements amounted to approximately RMB94.6 million for the year ended 31 December 2021 and approximately RMB497.6 million as at 31 December 2021.

The PRC Operational Entities have undertaken to the Company that, for so long as the shares of the Company are listing on the Stock Exchange, the PRC Operational Entities will provide the Group's management and the auditors of the Company with full access to its relevant records for the purpose of procedures to be carried out by the auditors of the Company on the transactions as contemplated under the Contractual Arrangements.

Risks Relating to the Contractual Arrangements

The PRC Government may consider the Contractual Arrangements to be not compliant with applicable PRC laws and regulations

The Group's PRC legal advisor had advised that there is a possibility that the PRC government may have different opinions on the interpretation of the applicable PRC regulations and would not agree that the Contractual Arrangements comply with PRC licensing, registration or other legal or regulatory requirements, existing policies or requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of the Contractual Arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. The Company could not assure that the Contractual Arrangements would not be found to be in violation of any current or future PRC laws and regulations.

If the Company is found to be in violation of any existing or future PRC laws or regulations, including the MOFCOM Security Review Rules and any future regulations regarding the use of the VIE structure promulgated by any PRC government authority, the relevant regulatory authorities would have broad discretion in dealing with such breach or violation. Such action could have a material adverse impact on the Group's business, financial condition and results of operations. In the event that the Board is aware of any of such material adverse impact, the Company will publish announcement(s) as soon as possible.

The Contractual Arrangements may not be as effective as direct ownership

Due to the PRC's legal restrictions on foreign investment in the television series production industry, the Company control the PRC Operational Entities through the Contractual Arrangements rather than by equity ownership. Beijing Starrise and its subsidiaries are the Group's principal operating entities in the PRC and the holders of the key licenses required to operate television series production business in the PRC.

However, the Contractual Arrangements may not be as effective in exercising control over the PRC Operational Entities as equity ownership. For example, the PRC Operational Entities and their shareholders could breach or fail to perform their obligations under the Contractual Arrangements. If the Group had direct ownership of the PRC Operational Entities, the Group would be able to exercise their rights as shareholders to effect changes in their boards of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management and operational level. Under the Contractual Arrangements, the Group would need to rely on their contractual rights thereunder to effect such changes or designate new shareholders for the PRC Operational Entities.

Reasons for and Benefits of the Contractual Arrangements

The Company, through the Contractual Arrangements, conducts the television series production business in the PRC in order to comply with the applicable PRC laws and regulations and exerts asset management control over the operations of Beijing Starrise and its subsidiaries, and enjoys all of the economic benefits of the PRC Operational Entities.

According to the Provision for the Administration of the Production and Distribution of Radio and Television Programs（《廣播電視節目製作經營管理規定》）, PRC incorporated companies with foreign investment, namely, the sino-foreign equity joint venture enterprises, the sino-foreign cooperative joint venture enterprises and the wholly owned foreign-invested enterprises, are not allowed to apply for the Radio and Television Programs Production and Operation License, which is required for the operations of PRC Operational Entities' principal business.

As a result of the foregoing, the Group has entered into the Contractual Arrangements with the PRC Operational Entities to conduct the television series production business in the PRC in order to comply with the applicable PRC laws and regulations and to assert asset management control over the operations of, and enjoy all of the economic benefits of the PRC Operational Entities. The Contractual Arrangements are designed specifically to confer right upon the Group to enjoy all the economic benefit of the PRC Operational Entities, to exercise management control over the operations of the PRC Operational Entities, and to prevent outflow of assets and values of the PRC Operational Entities to the registered shareholders of the PRC Operational Entities.

The Company's PRC legal advisor has opined that the Contractual Arrangements are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and conditions under PRC laws and regulations, and do not violate the articles of association of Beijing Starrise Media Co., Ltd. and the PRC Operational Entities.

The Directors therefore believe that save as disclosed, the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC, and that the Contractual Arrangements provide a mechanism that enables the Company to exercise effective control over the PRC Operational Entities.

The Board believes that the Contractual Arrangements have been narrowly tailored to achieve the Company's business purpose and to minimize the potential conflict with relevant PRC laws and regulations. The principal businesses of the PRC Operational Entities and their subsidiaries are considered to be production of television series in the PRC, a sector where foreign investment is significantly restricted pursuant to the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) and Provision for the Administration of the Production and Distribution of Radio and Television Programmes (《廣播電視節目製作經營管理規定》). In addition, Radio and Television Programmes Production and Operation License is required for the operation of the principal businesses of the PRC Operational Entities and their subsidiaries can only be obtained by domestic companies incorporated in the PRC without foreign investments. Since the Company was incorporated in the Cayman Islands, any investment made by the Company directly or through any of its subsidiaries, including Beijing Starrise Media Co., Ltd., is regarded as foreign investment under PRC laws. Therefore, the Company and its subsidiaries are not eligible to apply for the licenses and approvals required for the operation of the television series production business, nor could they acquire equity interests of any company which has already held these licenses under the PRC laws. In order to comply with the applicable PRC laws, the licenses and permits that are essential to the operation of the principal business are held by the PRC Operational Entities through their subsidiaries. The Group entered into the Contractual Arrangements with the PRC Operational Entities' to conduct their principal businesses in the PRC and to assert management control over the operations of, and enjoy all of the economic benefits of the PRC Operational Entities'.

Settlement of Potential Dispute Arising from the Contractual Arrangements

The structured contracts under the Contractual Arrangements are governed by the PRC laws. When a dispute arises under any of the structured contracts under the Contractual Arrangements, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the structured contracts under the Contractual Arrangements provide that such dispute to be submitted to the China International Economic and Trade Arbitration Commission for arbitration. The decision of such arbitration is final and binding on the parties concerned. The structured contracts under the Contractual Arrangements contain dispute resolution clauses that provide for arbitration and that arbitrators may award remedies over the equity interests or assets of the PRC Operational Entities, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of the PRC Operational Entities.

Protection of the Interests of Our Group in the Event of Death, Bankruptcy or Divorce of the PRC Operational Entities Shareholders

As advised by the Company's PRC Legal Advisor, the provisions set out in the Contractual Arrangements are also binding on any successors of the PRC Operational Entities Shareholders as if the successor was a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors to such shareholders, under the succession law of the PRC, statutory successors may include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents. Any breach by the successors would therefore be deemed to be a breach of the Contractual Arrangements. In case of a breach, Beijing Starrise Media Co., Ltd. can exercise its rights against the successors. Pursuant to the Contractual Arrangements, any successor of the PRC Operational Entities Shareholders shall assume any and all rights and obligations of the PRC Operational Entities Shareholders under the Contractual Arrangements as if the successor was a signing party to such Contractual Arrangements.

As advised by the Company's PRC Legal Advisor: (i) the Contractual Arrangements provide protection to our Group even in the event of death, divorce or bankruptcy of any of the PRC Operational Entities Shareholders; (ii) the death, divorce or bankruptcy of such Registered Shareholder would not affect the validity of the Contractual Arrangements, and the successors of such Registered Shareholder would be bound by the Contractual Arrangements; and (iii) there will not be any practical difficulties in enforcing the Contractual Arrangements.

Arrangements to Address Potential Conflicts of Interests

Each of the PRC Operational Entities Shareholders has given their irrevocable undertakings in the powers of attorney in favour of Beijing Starrise Media Co., Ltd., and has given certain restrictive covenants under the Contractual Arrangements which address potential conflicts of interests that may arise in connection with the Contractual Arrangements.

Internal Control Measures

In order to have effective control over and to safeguard the assets of the PRC Operational Entities, the Contractual Arrangements provide that, without the prior written consent of Beijing Starrise Media Co., Ltd., the PRC Operational Entities Shareholders shall not at any time sell, transfer, mortgage or dispose of in any manner any assets, legitimate interests in the business or revenue of the PRC Operational Entities, or allow any encumbrance thereon of any security interest. The PRC Operational Entities and its Shareholders shall always operate all of the PRC Operational Entities' businesses in the ordinary and usual course of business and shall maintain the asset value of the PRC Operational Entities and refrain from any action or omission that may adversely affect the PRC Operational Entities' operating status and asset value.

In addition to the abovementioned internal control measures as provided in the Contractual Arrangements, following Completion, the Company intends to implement, through Beijing Starrise Media Co., Ltd., additional internal control measures on the PRC Operational Entities with reference to the internal control measures adopted by the Group from time to time, which may include (without limitation):

(i) requiring the PRC Operational Entities to make available monthly management accounts and submit key operating data and bank statements after each month-end and provide explanations on any material fluctuations to Beijing Starrise Media Co., Ltd.;

(ii) requiring the PRC Operational Entities to assist and facilitate Beijing Starrise Media Co., Ltd. to conduct quarterly onsite internal audit on the PRC Operational Entities; and

(iii) if required, engaging legal advisers and/or other professionals to deal with specific issues arising from the Contractual Arrangements and ensure that the operation of the PRC Operational Entities will from time to time comply with applicable laws and regulations.

Connected Transactions

(1) Extension of Maturity Date of Convertible Bonds

On 7 May 2021, the Company and Dragon Capital conditionally agreed to extend the maturity date of the remaining convertible bonds with an aggregate principal amount of HK$50,000,000 (the "**Outstanding Bonds**") from 28 February 2021 to 30 June 2021. Under the extension agreement between Dragon Capital and the Company, (1) the corporate guarantee executed by Aim Right and the personal guarantee executed by Mr. Liu in favour of Dragon Capital; and (2) share charge over the Aim Right Shares as security for the due performance of the Company's obligations under the conditions of the Outstanding Bonds during the extended period shall continue.

Mr. Liu Zhihua（劉志華）("**Mr. Liu**"), a substantial shareholder of the Company, through his wholly-owned subsidiary, Aim Right, is interested in 202,472,656 Shares, representing approximately 12.30% of the total issued share capital of the Company as at the date of the Transfer Agreement. As such, Mr. Liu and Aim Right are each a substantial shareholder of the Company and therefore a connected person of the Company.

Each of the guarantees provided by Mr. Liu and Aim Right; and (2) share charge provided by Aim Right in favour of Dragon Capital would each be a financial assistance to the Company, and accordingly, constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

(2) Issuance of Convertible Bonds

The abovementioned extension would require mutual agreement between the holder(s) of the Bonds (i.e. Aim Right and Dragon Capital) and the Company. In this regard, such extension would be treated as new arrangements for the Company to issue the Outstanding Bonds to the respective holder(s) of the Bonds.

Therefore, on the same day, the Company, Dragon Capital and Aim Right entered into a transfer agreement in relation to the transfer of the Outstanding Bonds held by Dragon Capital to Aim Right (the "**Transfer Agreement**"). Under the terms of the Transfer Agreement, Dragon Capital as vendor conditionally agreed sell, and Aim Right as purchaser conditionally agreed to purchase, the Outstanding Bonds for the consideration of HK$50,000,000. The Outstanding Bonds would be convertible into 320,512,820 conversion shares at the adjusted conversion price of HK$0.156 per conversion share.

As Aim Right is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, the issuance of Outstanding Bonds pursuant to the Transfer Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of the extension of maturity date of convertible bonds and the issuance of Convertible Bonds were set out in the Company's announcement dated 7 May 2021 and circular dated 28 May 2021.

Competition and Conflict of Interests

During the Year, save as disclosed in the Prospectus of the Company dated 29 June 2012, none of the Directors or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the year ended 31 December 2021.

Permitted Indemnity Provision

Under the Articles of Association, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the Year and as at the date of this annual report.

Directors' Material Interests in Transactions, Arrangement or Contracts

Save as disclosed in this report, transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries, was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Equity-Linked Agreements

Other than the share option schemes of the Company as well as the paragraphs headed "Issuance of Shares under General Mandate", "Adjustment to the Conversion Price of the Convertible Bonds", "Issuance of Consideration Shares" and "Connected Transactions" in this report, no equity-linked agreements were entered into by the Company during the Year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

Pre-Emptive Rights

There is no provision for the pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 29 to 40 in this annual report.

Business Review

Overview

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 7 to 22 of this annual report. The discussion constitutes a part of this Report of the Directors.

Principal Risks and Uncertainties

The Board closely monitors factors which may affect the revenue of the media business, particularly the macroeconomic situation and the trend of industry and the external economic environment that would be regarded as principal risks.

Important Events after the Reporting Period

The important events after the reporting period of the Group are detailed in the events after the reporting period under the Management Discussion and Analysis on pages 15 to 17 of this annual report. The report constitutes a part of this Report of the Directors.

Future Development

The future developments of the Group are detailed in the Management Discussion and Analysis on pages 18 to 22 of this annual report. The report constitutes a part of this Report of the Directors.

Key Performance Indicators

The key performance indicators are detailed in the Management Discussion and Analysis on pages 9 to 15 of this annual report. The report constitutes a part of this Report of the Directors.

Environmental Policies and Performance

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. To the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental and social activities which benefit the community as a whole.

Thanks to its active engagement in the enhancement of management measures and technology improvement, the Group incurred less unit electricity consumption and expenses in production as compared to that of previous year. The Group also advocated conservation of resources in office and encouraged employees to develop good habits, conserve resources and energy to build a green and comfortable office environment.

Compliance with Laws and Regulations

During the year, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it. In addition to complying with basic laws and regulations such as the Company Law and the Listing Rules, the Group has also complied with the regulations of the film and television industry, including the Regulations on the Administration of Radio and Television, the Regulations on the Operation and Management of Radio and Television Production, and the Measures on Accounting for Film Enterprises.

Relationships with Employees

Employees are regarded as the most important and valuable assets of the Group. The Group provides bonuses and incentives based on their performances to encourage and motivate its staff to strive for better performance and will help staff members with career development and promotion within the Group by appropriate training and providing opportunities according to their respective skill requirements.

Relationships with Customers and Suppliers

The Group's principal customers are from media business. The Group has the mission to provide excellent customer service in media business whilst maintaining long term profitability, business and asset growth. Various means have been established by the Group to strengthen the communications between the customers and the Group in provision of excellent customer service towards market penetration and expansion.

Sound relationships with key suppliers and service providers of the Group are important in supply chain, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits.

Annual General Meeting

Due to the delay in the publication of (i) the audited annual results and annual reports for the two years ended 31 December 2021, and (ii) the interim results and interim report for the six months ended 30 June 2022, the annual general meeting for the Year to be held in 2022 has been adjourned. Details of the adjourned AGM of the Company will be announced in due course.

Audit Committee

The Audit Committee comprises Mr. Lam Kai Yeung (chairman), Ms. Liu Chen Hong and Mr. Kwok Pak Shing. The Audit Committee, together with the Board, have reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the financial statements of the Group for the year ended 31 December 2021.

Auditor

The financial statements for the year ended 31 December 2021 have been audited by Moore Stephens CPA Limited, which will retire and, being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution to re-appoint Moore Stephens CPA Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

Moore Stephens CPA Limited is the auditor of the Company as at the date of this report which is appointed by the Board with effect from 22 July 2022 to fill the casual vacancy following the resignation of KPMG with effect from 6 June 2022.

For the Year, KPMG was the auditor of the Company and resigned with effect from 6 June 2022. In the resignation letter of KPMG, KPMG pointed out that certain requested information, explanations and/or related supporting documents had not been provided relating to, among other things, the Incident as referred to and/or defined in the announcements of the Company dated 30 March 2022, 29 April 2022 and 31 May 2022, which remained outstanding as at the date of its resignation. Accordingly, KPMG was unable to proceed further with the audit of the consolidated financial statements of the Group for the year ended 31 December 2021 and decided to resign as the auditor of the Company.

The Board has confirmed that there is no disagreement between the Company and KPMG in addition to those noted above and it is not aware of any other matters in relation to KPMG's resignation that need to be brought to the attention of the shareholders of the Company.

By order of the Board
A Metaverse Company
LIU Dong
Chairman

Beijing, the PRC
14 June 2023

Independent Auditor's Report

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大華馬施雲
會計師事務所有限公司

To the Shareholders of A Metaverse Company (Formerly Known as Starrise Media Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

Qualified opinion

We have audited the consolidated financial statements of A Metaverse Company (formerly known as Starrise Media Holdings Limited) (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 79 to 168, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of our report, 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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

Current tax payable and income tax

As disclosed in notes 6 and 23 to the consolidated financial statements, included in the consolidated statement of financial position at 31 December 2021 and 2020 and 1 January 2020 were current tax payable of RMB39,487,000, RMB39,487,000 and RMB39,489,000, respectively. Included in the consolidated statement of profit or loss were income tax expense of RMB11,408,000 for the year ended 31 December 2021 and income tax credit of RMB9,564,000 for the year ended 31 December 2020.

Basis for qualified opinion (Continued)

Current tax payable and income tax (Continued)

The carrying amounts of the current tax payable of the Group as at 31 December 2021 and 2020 and 1 January 2020 comprised mainly of the current taxation payables in respect of profits of the group entities operating in the People's Republic of China ("**the PRC Entities**") in relation to the years ended 31 December 2015 to 31 December 2019 recognised in the consolidated financial statements of the Group for the respective financial years. Management of the Group explained to us that these balances for current taxation payables had been long outstanding in the consolidated financial statements of the Group because the PRC Entities recognised revenue in their local financial statements on different bases from the Group. However, we were not provided with sufficient appropriate audit evidence to support the appropriateness of recognising revenue, and hence profits, in the local financial statements of the PRC Entities on different bases from the Group. Consequently, we were unable to determine whether any adjustments to the (i) current tax payable balances recognised in the consolidated statement of financial position as at 31 December 2021 and 2020 and 1 January 2020; (ii) income tax expense or credit recognised in the consolidated statement of profit or loss for the years ended 31 December 2021 and 2020; and (iii) provisions for other tax related expense as at 31 December 2021 and 2020 and 1 January 2020 and for the years ended 31 December 2021 and 2020 were necessary. Any adjustments to these amounts might have consequential effects on the Group's financial position as at 31 December 2021 and 2020 and 1 January 2020 and its financial performance and cash flows for the years ended 31 December 2021 and 2020, and the related elements and disclosures thereof in these consolidated financial statements.

Impairment of the Company's investments in subsidiaries and amounts due from subsidiaries

As disclosed in note 29 to the consolidated financial statements, included in the Company's statement of financial position are investments in subsidiaries of RMB500,873,000 and amounts due from subsidiaries of RMB650,884,000 as at 31 December 2020.

We have not been able to satisfy ourselves as to whether the impairment provision determined by the directors of the Company against the carrying amounts of the investments in subsidiaries and amounts due from subsidiaries as at 31 December 2020 contained material misstatements as the basis and key assumptions adopted by management for the impairment assessments of these balances as at 31 December 2020 were not provided to us.

Basis for qualified opinion (Continued)

Impairment of the Company's investments in subsidiaries and amounts due from subsidiaries (Continued)

Any adjustments to the carrying amounts of the Company's interest in subsidiaries and amounts due from subsidiaries found to be necessary would affect the Company's net assets as at 31 December 2020 and hence may have possible effects on the comparability of the current year's figures and the corresponding figures in the Company's statement of financial position disclosed in note 29 to the consolidated financial statements. In addition, these matters may also have possible effects on the profit and total comprehensive income of the Company presented in the Company's statement of changes in equity for the years ended 31 December 2021 and 2020 disclosed in note 24(a) to the consolidated financial statements and related disclosures in the consolidated financial statements.

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

Material uncertainty related to going concern

We draw attention to note 1(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB534,118,000 for the year ended 31 December 2021. As at 31 December 2021, the Group has bank loans amounting to RMB43,000,000 which were due for repayment during the period from March to November 2022, bonds amounting to RMB38,227,000 which were due for repayment in February 2022, and other borrowing amounting to RMB40,334,000 which was due for repayment in November 2022. The Group's cash and bank balances only amounted to RMB35,498,000 as at 31 December 2021. As stated in note 1(b), these events or conditions, along with other matters set forth in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matters described in the *Basis for qualified opinion* section and *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Timing of revenue recognition: licensing income from drama series and films
Refer to note 3 to the consolidated financial statements and the accounting policies on page 100.

The Key Audit Matter

Revenue from licensing of the Group's drama series and films is recognised when the Group transfer control over the drama series and films to customers in accordance with the terms of the relevant licensing contracts.

The Group's drama series and films licensing contracts with customers, which principally comprise various owners of television channels and networks, have a variety of terms relating to acceptance of the drama series and films and the right of return of the master tapes for the drama series and films. Such terms may affect the timing of the recognition of licensing income from customers. The Group evaluates the terms of individual contracts in order to determine the appropriate timing for revenue recognition.

We identified the timing of revenue recognition from the licensing of drama series and films as a key audit matter because each contract with customers may have different terms and conditions and there is a risk that revenue may be recognised in the incorrect accounting period and also because revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be subject to manipulation to meet expectations or targets.

How the matter was addressed in our audit

Our audit procedures to assess the timing of revenue recognised from the licensing of drama series and films included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of the key internal controls in relation to revenue recognition;

- inspecting key licensing contracts to identify key terms and conditions, including the customer's acceptance of the drama series and films and the right of return, and assessing the Group's accounting policies for the recognition of revenue with reference to the requirements of the prevailing accounting standards;

- inspecting underlying documentation for manual journal entries raised during the reporting period relating to revenue which met specific risk-based criteria;

- comparing, on a sample basis, revenue transactions recorded before and after the reporting date with underlying documentation, including the relevant sales agreement or licensing contract, the customer's acknowledgement of acceptance of the master tapes and broadcast schedules, to determine whether the related revenue had been recognised in the appropriate accounting period; and

- inspecting sales adjustments made after the reporting date and evaluating whether the related adjustments to revenue had been recorded in the appropriate accounting period.

Key audit matters (Continued)

Assessing impairment of goodwill

Refer to note 12 to the consolidated financial statements and the accounting policies on page 87.

The Key Audit Matter

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units, which are the smallest identifiable groups of assets that generate cash inflows independently, which are expected to benefit from the synergies of the combination.

Goodwill was recognised as a result of acquisitions of business in prior years. During the year, the Group has fully impaired the goodwill arising from the acquisitions of Solid Will Ltd. and its subsidiaries amounting to RMB148,357,000.

Management assesses the recoverable amount of goodwill on an annual basis to determine if any impairment is required. The recoverable amount of the CGU to which goodwill has been allocated are determined based on value-in-use calculations using the present value of the future cash flows expected to be obtained from the CGU. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period and extrapolates cash flows beyond the five-year period using a steady growth rate applicable to the relevant businesses.

The assessment of the recoverable amount of goodwill involves significant management estimation and judgment, in particular in determining the key assumptions adopted in the cash flow forecasts, which include future revenue, growth rates, future profit margins and the discount rates applied.

We identified assessing impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because of the inherent uncertainty involved in forecasting and discounting future cash flows which involves the exercise of significant management judgment and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess impairment of goodwill included the following:

- evaluating, with the assistance of our internal valuation specialists, the valuation methodology adopted by management, the identification of cash-generating units ("**CGU**") and the allocation of assets to each identified CGU, with reference to the requirements of the prevailing accounting standards;

- evaluating, with the assistance of our internal valuation specialists, the discount rates adopted by management in the preparation of the discounted cash flow forecasts by benchmarking against those of comparable companies in the same industry;

- assessing the appropriateness of the significant assumptions used in the preparation of the discounted cash flow forecasts, including future revenue, growth rates and future profit margins, by comparing with the historical performance of the CGU, management's forecasts, data for comparable companies in the same business and available external market data;

- assessing the reliability and reasonableness of management's forecast by comparing the previous year's forecast with the current year's actual performance to consider if there was any indication of management bias, discussing with management significant variances and considering these variances in our assessment of the current year's cash flow forecasts;

- performing a sensitivity analysis of both the discount rates and future revenue and considering the resulting impact on the carrying amount of goodwill and whether there were any indicators of management bias; and

- assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill, including the key assumptions and sensitives, with reference to the requirements of the prevailing accounting standards.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2021.

Information other than the consolidated financial statements and auditor's report thereon

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for qualified opinion* section above, we were unable to obtain sufficient appropriate evidence about the current tax payable, income tax, comparative of impairment of the Company's investments in subsidiaries and amounts due from subsidiaries. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, 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.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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.

Moore Stephens CPA Limited
Certified Public Accountants

Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 14 June 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Revenue	3	**96,109**	94,120
Cost of sales and services		**(109,913)**	(111,359)
Gross loss		**(13,804)**	(17,239)
Other net income	4	**23,348**	136,783
Distribution costs		**(8,175)**	(8,746)
Administrative expenses		**(23,297)**	(23,383)
Other expenses	5(c)	**(372,463)**	(309,877)
Impairment losses on trade and other receivables	5(c)	**(112,365)**	(20,620)
Loss from operations		**(506,756)**	(243,082)
Net finance costs	5(a)	**(15,954)**	(48,137)
Loss before taxation	5	**(522,710)**	(291,219)
Income tax	6	**(11,408)**	9,564
Loss and total comprehensive expense for the year		**(534,118)**	(281,655)
Attributable to:			
Equity shareholders of the Company		**(533,848)**	(281,551)
Non-controlling interests		**(270)**	(104)
Loss and total comprehensive expense for the year		**(534,118)**	(281,655)
Loss per share (RMB cents)			
– Basic loss per share	9	**(29.68)**	(19.87)
– Diluted loss per share	9	**(29.68)**	(22.90)

The notes on pages 84 to 168 form part of these financial statements.

Consolidated Statement of Financial Position

31 December 2021

	Notes	31 December 2021 RMB'000	2020 RMB'000 (Restated)	1 January 2020 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	*10*	**5,405**	18,471	24,476
Intangible assets	*11*	**33,171**	17,014	21
Goodwill	*12*	**–**	148,357	435,081
Financial assets at fair value through profit or loss	*13*	**1,870**	1,870	1,900
Other receivables	*17*	**31,618**	1,375	140,521
Drama series and films	*15*	**130,942**	288,096	358,666
Deferred tax assets	*23(b)*	**–**	11,600	1,928
		203,006	486,783	962,593
Current assets				
Drama series and films	*15*	**15,197**	22,764	–
Trade and other receivables	*17*	**531,389**	782,588	844,583
Cash and cash equivalents	*18*	**35,498**	12,351	194,261
		582,084	817,703	1,038,844
Current liabilities				
Trade and other payables	*19*	**153,349**	139,640	212,848
Contract liabilities	*16*	**–**	3,078	3,078
Bank loans	*20*	**43,000**	35,500	14,850
Other borrowings	*21*	**78,561**	191,251	281,962
Lease liabilities	*22*	**5,218**	5,393	5,134
Current taxation	*23(a)*	**39,487**	39,487	39,489
		319,615	414,349	557,361
Net current assets		**262,469**	403,354	481,483
Total assets less current liabilities		**465,475**	890,137	1,444,076
Non-current liabilities				
Other borrowings	*21*	**–**	–	266,895
Lease liabilities	*22*	**20,936**	12,322	17,714
Deferred tax liabilities	*23(b)*	**5,268**	5,524	5,521
		26,204	17,846	290,130
Net assets		**439,271**	872,291	1,153,946

Consolidated Statement of Financial Position

31 December 2021

	Notes	31 December 2021 RMB'000	2020 RMB'000 (Restated)	1 January 2020 RMB'000 (Restated)
Capital and reserves				
Share capital	*24*	**137,801**	90,578	90,578
Reserves		**299,010**	782,793	1,064,344
Total equity attributable to equity shareholders of the Company		**436,811**	873,371	1,154,922
Non-controlling interests		**2,460**	(1,080)	(976)
Total equity		**439,271**	872,291	1,153,946

Approved and authorised for issue by the board of directors on 14 June 2023.

Liu Dong
Director

He Han
Director

The notes on pages 84 to 168 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Attributable to equity shareholders of the Company							
		Share capital	Share premium	Statutory surplus reserve	Other reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		90,578	807,404	87,989	98,501	98,572	1,183,044	23,000	1,206,044
Prior year adjustments *(note 1(aa))*		–	–	–	(16,116)	(12,006)	(28,122)	(23,976)	(52,098)
As restated		90,578	807,404	87,989	82,385	86,566	1,154,922	(976)	1,153,946
Changes in equity for 2020:									
Loss and total comprehensive expense for the year		–	–	–	–	(281,551)	(281,551)	(104)	(281,655)
Appropriations to statutory surplus reserve	*24*	–	–	31	–	(31)	–	–	–
Balance at 31 December 2020 and 1 January 2021 (Restated)		**90,578**	**807,404**	**88,020**	**82,385**	**(195,016)**	**873,371**	**(1,080)**	**872,291**
Changes in equity for 2021:									
Loss and total comprehensive expense for the year		**–**	**–**	**–**	**–**	**(533,848)**	**(533,848)**	**(270)**	**(534,118)**
Acquisition of subsidiaries	*25(e)*	**–**	**–**	**–**	**–**	**–**	**–**	**3,810**	**3,810**
Shares issuance	*24(b)*	**47,223**	**50,065**	**–**	**–**	**–**	**97,288**	**–**	**97,288**
Balance at 31 December 2021		**137,801**	**857,469**	**88,020**	**82,385**	**(728,864)**	**436,811**	**2,460**	**439,271**

The notes on pages 84 to 168 form part of these financial statements.

Consolidated Cash Flows Statement

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Operating activities			
Cash generated from operations	*18(b)*	**30,623**	8,093
Income tax paid	*23(a)*	**(64)**	(107)
Net cash generated from operating activities		**30,559**	7,986
Investing activities			
Net cash inflow from acquisition of subsidiaries	*25(f)*	**6,340**	–
Proceeds from settlement of consideration receivable from disposal of subsidiaries in prior year		**116,119**	82,045
Disposal of an associate		**4,000**	8,000
Return from investment in equity securities		**–**	30
Payments for the purchase of property, plant and equipment	*10*	**(691)**	(194)
Payment for advances to third parties		**(92,725)**	–
Proceeds from repayments of advances to third parties		**–**	20,487
Interest received		**3,293**	24
Net cash generated from investing activities		**36,336**	110,392
Financing activities			
Proceeds from shares issuance	*24(b)(i)*	**12,946**	–
Capital element of lease rental paid	*18(c)*	**(5,468)**	(4,902)
Proceeds from bank loans	*18(c)*	**43,000**	32,500
Repayment of bank loans	*18(c)*	**(35,500)**	(7,000)
Payments for redemption of convertible bonds	*18(c)*	**(41,500)**	(57,466)
Payments for redemption of bonds	*18(c)*	**–**	(216,550)
Proceeds from issuance of bonds	*18(c)*	**–**	36,284
Proceeds from advances from third parties	*18(c)*	**18,060**	–
Repayment of advances from third parties	*18(c)*	**(27,020)**	(53,330)
Interest element of lease rentals paid	*18(c)*	**(888)**	(1,146)
Repayment for other borrowing	*18(c)*	**–**	(1,115)
Other borrowing costs paid	*18(c)*	**(3,982)**	(27,401)
Net cash used in financing activities		**(40,352)**	(300,126)
Net increase/(decrease) in cash and cash equivalents		**26,543**	(181,748)
Cash and cash equivalents at 1 January	*18*	**12,351**	194,261
Effect of foreign exchange rate change		**(3,396)**	(162)
Cash and cash equivalents at 31 December	*18*	**35,498**	12,351

The notes on pages 84 to 168 form part of these financial statements.

1. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of A Metaverse Company (the "**Company**") and its subsidiaries (together referred to as the "**Group**"). Note 1(c) provides information on any changes in accounting policies resulting from initial application of these amendments to IFRSs to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in equity securities (see note 1(f))

– derivative financial instruments (see note 1(g)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

As further disclosed in note 30, in 2020, the outbreak of the Covid-19 pandemic gave rise to uncertainties over the Group's operations and financial position.

1. Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

The Group incurred a net loss of RMB534,118,000 for the year ended 31 December 2021. As at 31 December 2021, the Group still has bank loans amounting to RMB43,000,000, which were due for repayment during the period from March to November 2022, bonds amounting to RMB38,227,000 which were due for repayment on 15 February 2022, and other borrowing amounting to RMB40,334,000 which is due for repayment in November 2022 as disclosed in notes 20 and 21. The Group's cash and bank balances only amounted to RMB35,498,000 as at 31 December 2021. As disclosed in note 21, subsequent to the year ended 31 December 2021, the bonds issued by the Company were defaulted. Up to the date when the consolidated financial statements were authorised for issue, there was no settlement for the bonds.

The Group will be unable to fund the Group's operating activities and repay its bank loans, bonds and other borrowings and its other liabilities in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or extend or renew its existing borrowings upon their maturities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

– The Group will continue to pay close attention to the film and television media industry and make good use of its resources with an aim to attain positive and sustainable cash flow from operations;

– The Group is putting extra efforts on collecting its trade and other receivables and procuring the distribution of the drama series and films;

– The Group is in discussions with its lenders to timely renew or extend its existing bank loans and other borrowings; and

– The Group will actively and regularly review its capital structure and source for additional capital by issuing bonds or new shares, where appropriate.

The directors of the Company have reviewed the Group's cash flow projections covering a period of not less than twelve months from the end of the reporting period prepared by management. In the opinion of the directors of the Company, assuming the success of the above measures, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

1. Significant accounting policies (Continued)

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendment to IFRS 9, HKAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2

The Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions" in prior year and the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (the "**2021 Amendment**") in the current year. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of IFRS 16 to rent concessions on or before 30 June 2022.

The early application of the 2021 Amendment has had no impact to the opening accumulated losses at 1 January 2021 and the financial position and financial performance for the current year.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(p), (q) or (r) depending on the nature of the liability.

1. Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investment in subsidiaries is stated at cost less impairment losses (see note 1(k)).

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss.

For an explanation of how the Group determines fair value of financial instruments, see note 26(f). These investments are subsequently accounted for as follows, depending on their classification.

1. Significant accounting policies (Continued)

(f) Other investments in equity securities (Continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

1. Significant accounting policies (Continued)

(h) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	The Group's interests in buildings situated on leasehold land are depreciated over shorter of the unexpired term of lease and the buildings' estimated useful lives	3 – 20 years
–	Machinery and equipment	5 – 10 years
–	Office equipment	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Contractual right	10 years
–	Patents and trademarks	5 – 10 years
–	Computer software	5 years

Both the period and method of amortisation are reviewed annually.

1. Significant accounting policies (Continued)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1. Significant accounting policies (Continued)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– contract assets as defined in IFRS 15 (see note 1(l));

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

1. Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

***Measurement of ECLs* (Continued)**

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1. Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk **(Continued)**

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1. Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

***Basis of calculation of interest income* (Continued)**

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(v)).

1. Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets/current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– goodwill;

– interest in an associate;

– drama series and films; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1. Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets/current assets (Continued)

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(n)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(v)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(v)).

(m) Drama series and films

Drama series and films represent completed drama series and films, drama series and films in production.

Completed drama series and films held for sale or distribution in the ordinary course of business are stated at lower of cost and net realisable value. Costs of these completed drama series and films comprise all direct costs incurred during the production of the drama series and films. The costs of these completed drama series and films are recognised as cost of sale expense at the point in time when the revenue from the sale or distribution of the drama series or films is recognised.

Completed drama series and films held for earning licensing income are stated at cost, less accumulated amortisation and identified impairment losses, if any. Costs of completed drama series and films held for earning licensing income comprise fees paid and payable to acquire the drama series and films and direct costs incurred during the production of drama series and films. The costs of completed drama series and films held for earning licensing income are recognised as an expense based on the proportion of actual income earned from a drama series or film during the year to the total estimated income from the licensing of the drama series or films.

Drama series and films in production represents drama series and films under production and is stated at cost, less identified impairment losses, if any. The costs include all direct costs associated with the production of drama series and films. Costs are transferred to completed drama series and films upon completion.

1. Significant accounting policies (Continued)

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

The Group has certain investments in drama series and film projects in which the Group is entitled to receive a fixed income based on the Group's investment amount and contractual interest rate as specified in the respective drama series investment agreements. The investments are carried at amortised cost as their cash flows represent solely payments of principal and interest included in other receivables.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(k)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

(r) Convertible bonds

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see note 1(g)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the host liability and derivative liability components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative liability component is recognised immediately in profit or loss.

1. Significant accounting policies (Continued)

(r) Convertible bonds (Continued)

The derivative liability component is subsequently remeasured in accordance with note 1(g). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative liability and host liability components are recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(s) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax asset arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1. Significant accounting policies (Continued)

(t) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

1. Significant accounting policies (Continued)

(u) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Licensing of drama series and films

Revenue arising from the licensing of drama series and films is recognised when the customer takes possession of and accepts the drama series and films in accordance with the terms of the contracts and the amount can be measured reliably.

(ii) Transfer of license of drama series and films

Revenue arising from the transfer of license of drama series and films is recognised upon the delivery of the materials for video features including the master tapes or participation share of the license to the customers, in accordance with the terms of the underlying contracts and the amount can be measured reliably.

1. Significant accounting policies (Continued)

(v) Revenue and other income (Continued)

(iii) Provision of drama series and films production, distribution and related services

Revenue arising from provision of services (which included drama series and films production, distribution and related services), and a corresponding contract asset (see note 1(l)), are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional (see note 1(n)).

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1. Significant accounting policies (Continued)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

Or

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1. Significant accounting policies (Continued)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(aa) Prior year adjustments

During the finalisation of the consolidated financial statements of the Group for the year ended 31 December 2021, the management has carried out a reassessment on:

(1) the accounting treatment previously adopted by the Group in respect of a capital increment agreement dated 24 October 2019 (which was supplemented by supplemental capital increment agreement dated 24 October 2019) entered into among the Target Company, Seller A, Seller B, the Purchaser, the Company and the Guarantor (as defined in note 31) in relation to, among others, the capital investment into the Target Company by Seller A which were previously accounted for as equity transaction in the consolidated financial statements of the Group. Based on the reassessment of the relevant facts and circumstances of the capital injection from this non-controlling shareholder, the Group has determined that it has the contractual obligation to deliver cash or another financial asset to this non-controlling shareholder and accordingly the capital injection should be recognised as loan liability of the Group owed to Seller A and the option attached to the loan liability should be recognised as derivative stated at fair value.

Accordingly, as at 1 January 2020 and 31 December 2020, the other reserve, the non-controlling interests and prepayment to Seller A were reclassified to other borrowings and the loss attributed to non-controlling interests were reclassified to loss attributed to shareholders of the Company and accumulated losses. The change in fair value of the option attached to the loan liability was recognised in other net income in consolidated income statement for the year ended 31 December 2020 and credited to other borrowings in the consolidated financial position as at 31 December 2020. The change in fair value of the option attached to the loan liability for the year ended 31 December 2019 was adjusted in accumulated losses and credited to other borrowings as at 1 January 2020.

(2) the operations of the Group and identified certain drama series and films of the Group should be classified as intangible assets and reclassified from current assets to non-current assets.

(3) the nature of the Group's interests in Chengdu Dacheng Media Culture Co., Limited (the "**Investee**"), in which the Group acquired 70% of the equity interests and voting rights in this entity on 12 December 2019. As at 31 December 2019 and 2020, no capital contribution had been made by any of the investors of the Investee and the operations of the Investee were funded by the loans provided by the Group which amounted to RMB4,788,000 and RMB4,788,000 respectively. The Investee was not consolidated in prior years as the Group did not make any payment for the share capital of the Investee. However, the Group has reassessed its relationship with the Investee in 2021 and determined that it had control over the Investee after it acquired 70% of the equity interests and voting rights in this entity on 12 December 2019. The profit or loss, assets and liabilities and cashflows of the subsidiary since the completion of the acquisition should be consolidated in the Group's consolidated financial statements and the receivable from the subsidiary was eliminated when the books of the subsidiary was consolidated in the Group's consolidated financial statements.

1. Significant accounting policies (Continued)

(aa) Prior year adjustments (Continued)

The effects of the prior year adjustments in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 are set out below:

	The Group as previously reported	Prior year adjustments			The Group as restated
	RMB'000	RMB'000 *(Note (1))*	RMB'000 *(Note (2))*	RMB'000 *(Note (3))*	RMB'000
Revenue	94,120	–	–	–	94,120
Cost of sales and services	(111,359)	–	–	–	(111,359)
Gross loss	(17,239)	–	–	–	(17,239)
Other net income	135,569	907	–	307	136,783
Distribution costs	(8,649)	–	–	(97)	(8,746)
Administrative expenses	(22,839)	–	–	(544)	(23,383)
Other expenses	(309,877)	–	–	–	(309,877)
Impairment losses on trade and other receivables	(20,620)	–	–	–	(20,620)
Loss from operations	(243,655)	907	–	(334)	(243,082)
Net finance costs	(48,121)	–	–	(16)	(48,137)
Loss before taxation	(291,776)	907	–	(350)	(291,219)
Income tax	9,564	–	–	–	9,564
Loss and total comprehensive expense for the year	(282,212)	907	–	(350)	(281,655)
Attributable to:					
Equity shareholders of the Company	(281,258)	(47)	–	(246)	(281,551)
Non-controlling interests	(954)	954	–	(104)	(104)
Loss and total comprehensive expense for the year	(282,212)	907	–	(350)	(281,655)
Loss per share (RMB cents)					
– Basic loss per share	(19.85)	–	–	(0.02)	(19.87)
– Diluted loss per share	(22.88)	–	–	(0.02)	(22.90)

1. Significant accounting policies (Continued)

(aa) Prior year adjustments (Continued)

The effects of the adjustments in the respective line items of the consolidated statement of financial position of the Group as at 31 December 2020 are as follows:

	The Group as previously reported	Prior year adjustments			The Group as restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (1))	*(Note (2))*	*(Note (3))*	
Non-current assets					
Property, plant and equipment	17,788	–	–	683	18,471
Other receivables	6,063	–	–	(4,688)	1,375
Drama series and films	–	–	288,096	–	288,096
Current assets					
Drama series and films	310,860	–	(288,096)	–	22,764
Trade and other receivables	783,384	(1,115)	–	319	782,588
Cash and cash equivalents	11,639	–	–	712	12,351
Current liabilities					
Trade and other payables	139,300	–	–	340	139,640
Other borrowings	144,429	46,822	–	–	191,251
Lease liabilities	5,277	–	–	116	5,393
Non-current liabilities					
Lease liabilities	12,148	–	–	174	12,322
Equity					
Other reserve	98,501	(16,116)	–	–	82,385
Accumulated losses	(182,717)	(9,775)	–	(2,524)	(195,016)
Non-controlling interests	22,046	(22,046)	–	(1,080)	(1,080)

1. Significant accounting policies (Continued)

(aa) Prior year adjustments (Continued)

The effects of the adjustments in the respective line items of the consolidated statement of financial position of the Group as at 1 January 2020 are as follows:

	The Group as previously reported	Prior year adjustments			The Group as restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (1))	*(Note (2))*	*(Note (3))*	
Non-current assets					
Property, plant and equipment	23,723	–	–	753	24,476
Other receivables	145,209	–	–	(4,688)	140,521
Drama series and films	–	–	358,666	–	358,666
Current assets					
Drama series and films	358,666	–	(358,666)	–	–
Trade and other receivables	844,023	–	–	560	844,583
Cash and cash equivalents	193,438	–	–	823	194,261
Current liabilities					
Trade and other payables	212,544	–	–	304	212,848
Lease liabilities	5,025	–	–	109	5,134
Non-current liabilities					
Other borrowings	218,051	48,844	–	–	266,895
Lease liabilities	17,425	–	–	289	17,714
Equity					
Other reserve	98,501	(16,116)	–	–	82,385
Retained earnings	98,572	(9,728)	–	(2,278)	86,566
Non-controlling interests	23,000	(23,000)	–	(976)	(976)

1. Significant accounting policies (Continued)

(aa) Prior year adjustments (Continued)

The effects of the adjustments in the respective line items of the consolidated cash flows statement of the Group for the year ended 31 December 2020 are as follows:

	The Group as previously reported	Prior year adjustments			The Group as restated
	RMB'000	RMB'000 *(Note (1))*	RMB'000 *(Note (2))*	RMB'000 *(Note (3))*	RMB'000
Operating activities					
Loss before taxations	(291,776)	907	–	(350)	(291,219)
Adjustments for:					
Depreciation	5,427	–	–	264	5,691
Interest income	(23)	–	–	(1)	(24)
Finance costs	37,095	–	–	18	37,113
Covid-19-related rent concessions received	(210)	–	–	(21)	(231)
Change in fair value of derivatives embedded in other borrowings	–	(907)	–	–	(907)
Decrease in trade and other receivables	63,783	1,115	–	5,029	69,927
Decrease in trade and other payables	(19,860)	–	–	(4,752)	(24,612)
Cash generated from operations	6,791	1,115	–	187	8,093
Net cash generated from investing activities	6,684	1,115	–	187	7,986
Investing activities					
Payments for the purchase of property, plant and equipment	–	–	–	(194)	(194)
Interest received	23	–	–	1	24
Net cash generated from investing activities	110,585	–	–	(193)	110,392
Financing activities					
Capital element of lease rental paid	(4,815)	–	–	(87)	(4,902)
Interest element of lease rentals paid	(1,128)	–	–	(18)	(1,146)
Repayment for other borrowing	–	(1,115)	–	–	(1,115)
Net cash used in financing activities	(298,906)	(1,115)	–	(105)	(300,126)
Net decrease in cash and cash equivalents	(181,637)	–	–	(111)	(181,748)
Cash and cash equivalents at 1 January	193,438	–	–	823	194,261
Cash and cash equivalents at 31 December	11,639	–	–	712	12,351

2. Accounting judgement and estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements in relation to the subsidiaries arising from contractual agreements.

The Group's subsidiaries have entered into certain contractual arrangements (the "**Contractual Arrangements**") with Beijing Starrise Culture Development Co., Ltd. ("**Beijing Star Rise**") and its equity holders, which enable the Group to:

– exercise effective financial and operational control over Beijing Star Rise and its subsidiaries;

– exercise equity holders' voting rights of Beijing Star Rise and its subsidiaries; and

– receive substantially all of the economic interest returns generated by Beijing Star Rise and its subsidiaries.

The Group does not hold or own any equity interest in Beijing Star Rise. However, as a result of the Contractual Arrangements, the Group has rights to receive variable returns from its involvement with Beijing Star Rise and has the ability to affect those returns through its power over Beijing Star Rise and is considered to control Beijing Star Rise. Consequently, the Company regards Beijing Star Rise and its subsidiaries as indirect subsidiaries. The Group has consolidated the financial position and results after the completion of acquisition in 2016, of Beijing Star Rise and its subsidiaries in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing Star Rise and its subsidiaries and uncertainties presented by the People's Republic of China ("**PRC**") legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing Star Rise and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) Sources of estimation uncertainty

Notes 12 and 26 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key source of estimation uncertainty are as follows:

(i) Impairment of non-current assets

If circumstances indicate that the carrying value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable and goodwill is tested for impairment at least annually. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

2. Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty (Continued)

(i) Impairment of non-current assets (Continued)

The recoverable amount is the greater of the fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgement relating to items such as the level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume and amount of operating costs.

(ii) Expected credit losses for trade receivables

The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The Group uses judgement 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. For details of the key assumptions and inputs used, see note 26(a). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

(iii) Drama series and films

The Group is required to estimate the projected revenue of the drama series and films in order to ascertain the amount of drama series and films recognised as an expense for each reporting period. The appropriateness of the estimate requires the use of judgement and assumptions with reference to the prevailing and future market conditions to estimate total projected revenue. Changes in these estimates and assumptions could have a material effect on the expense.

At the end of the reporting period, the management of the Group assesses the risk of write-downs for drama series and films with reference to its recoverable amount. The recoverable amount of the drama series and films is determined based on the present value of the expected future revenue generated from the drama series and films less future cost of sales and service. If the recoverable amount is lower than the carrying amount, the carrying amount of the drama series and films will be written down to its recoverable amount.

(iv) Taxation

The Group files income taxes, including the dividend withholding tax in the PRC, with a number of tax authorities. Estimation is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business, where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the period in which the final tax outcomes become available.

2. Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty (Continued)

(v) Determining the lease term

As explained in note 1(j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3. Revenue and segment report

(a) Revenue

For the years ended 31 December 2021 and 2020, the principal activities of the Group are production, distribution and licensing of drama series and films. Further details regarding the Group's principal activities are disclosed in note 3(b).

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Licensing of drama series and films, and transfer of license of drama series and films	**38,512**	45,030
– Provision of drama series and films production, distribution and related services	**57,597**	49,090
	96,109	94,120

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b)(i).

3. Revenue and segment report (Continued)

(a) Revenue (Continued)

The following table sets out the revenue expected to be recognised in the future related to performance obligations that were unsatisfied or partially unsatisfied at the end of the reporting period.

	2021	2020
	RMB'000	RMB'000
Within one year	**22,069**	54,882
Over one year	**–**	21,953
	22,069	76,835

The major customers which contributed more than 10% of the total revenue for the corresponding years are listed as below:

	2021	2020
	RMB'000	RMB'000
Customer A	**77,313**	49,017
Customer B *(note)*	**N/A**	16,555

Note: The percentage of contribution is not applicable for Customer B in 2021 as it contributed less than 10% in the period.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented one reportable segment as media. No operating segments have been aggregated to form the following reportable segment.

Media: produces, distributes, licenses and/or transfers drama series and films and provides related services. Currently the Group's activities in this segment are carried out in the PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources for the segment, the Group's senior executive management monitors the results, assets and liabilities attributable to the reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals, bills payable and other payables attributable to the segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segment with reference to revenue generated by the segment and the expenses incurred by the segment or which otherwise arise from the depreciation or amortisation of assets attributable to the segment.

3. Revenue and segment report (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

The measure used for reporting segment results is "adjusted loss before taxes". To arrive at adjusted loss before taxes, the Group's loss is adjusted for items not specifically attributed to the individual segment, such as net finance cost relating to the convertible bonds and fair value change of derivatives embedded in convertible bonds, and impairments resulting from isolated, non-recurring events, such as impairment of goodwill.

In addition to receiving segment information concerning adjusted loss before taxes, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segment as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	2021 **RMB'000**	2020 RMB'000 (Restated)
Disaggregated by timing of revenue recognition		
Point in time	**40,825**	48,441
Over time	**55,284**	45,679
Revenue from external customers	**96,109**	94,120
Reportable segment result (adjusted loss before taxes)	**(364,110)**	(67,582)
Interest income on bank deposits	**215**	24
Interest on bank loans and other financial liabilities	**4,574**	7,114
Depreciation and amortisation for the year	**8,349**	8,698
Reportable segment assets		
Media	**754,038**	1,304,486
Unallocated	**31,052**	–
	785,090	1,304,486
Reportable segment liabilities		
Media	**341,871**	432,195
Unallocated	**3,948**	–
	345,819	432,195

3. Revenue and segment report (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2021 RMB'000	2020 RMB'000 (Restated)
Revenue		
Consolidated revenue *(note 3(a))*	**96,109**	94,120
Loss		
Reportable segment loss derived from the Group's external customers	**(364,110)**	(67,582)
Interest on convertible bonds	**(6,756)**	(28,761)
Interest on bonds	**(2,903)**	(12,570)
Interest exemption of convertible bonds	**6,639**	–
Change in fair value of derivatives embedded in convertible bonds	**311**	113,266
Change in fair value of derivatives embedded in other borrowings	**6,488**	907
Change in carrying amount of convertible bonds as non-substantial modification of the terms	**2,590**	13,206
Impairment of goodwill	**(148,357)**	(286,724)
Unallocated head office and net corporate expenses	**(16,612)**	(22,961)
Consolidated loss before taxation	**(522,710)**	(291,219)

(iii) Geographical information

The Group principally operates in the PRC and its major operating assets are located in the PRC. The following table sets out information about the geographical locations of the Group's revenue from external customers. The geographical locations of customers are based on the locations at which the services were provided or the goods were delivered.

	2021 RMB'000	2020 RMB'000
The PRC	**96,109**	94,120
Overseas	**–**	–
	96,109	94,120

4. Other net income

	2021 RMB'000	2020 RMB'000 (Restated)
Interest exemption of convertible bonds	**6,639**	–
Change in fair value of derivatives embedded in convertible bonds *(note 26)*	**311**	113,266
Change in fair value of derivatives embedded in other borrowing *(note 26)*	**6,488**	907
Change in fair value of investment in equity securities	**–**	(30)
Change in carrying amount of convertible bonds upon modification of terms	**2,590**	13,206
Net gain from investments in drama series and films*	**3,814**	5,789
Gain from a bargain purchase *(note 25(e))*	**1,242**	–
Others	**2,264**	3,645
	23,348	136,783

* The amount represents net gain from investments in drama series and films with fixed-income rate.

5. Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	2021 RMB'000	2020 RMB'000 (Restated)
Interest on convertible bonds	**6,756**	28,761
Interest on bonds	**2,903**	12,570
Interest on bank loans and other financial liabilities	**4,574**	7,114
Interest on lease liabilities	**888**	1,146
Interest income	**(3,293)**	(24)
Net foreign exchange loss/(gain)	**3,396**	(1,878)
Other finance charges	**730**	448
	15,954	48,137

5. Loss before taxation (Continued)

(b) Staff costs

	2021 RMB'000	2020 RMB'000 (Restated)
Salaries, wages and other benefits	**15,167**	18,278
Contributions to defined contribution retirement plan	**1,326**	1,630
	16,493	19,908

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "**Schemes**") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees' salaries for the years ended 31 December 2021 and 2020. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

(c) Other items

	2021 RMB'000	2020 RMB'000 (Restated)
Amortisation		
– intangible assets *(note 11)*	**2,575**	3,007
Depreciation		
– owned property, plant and equipment	**391**	338
– right-of-use assets	**5,383**	5,353
Other expenses	**372,463**	309,877
– impairment of goodwill *(note 12)*	**148,357**	286,724
– impairment of property, plant and equipment *(note 10)*	**22,091**	–
– write-downs for drama series and films *(note 15)*	**202,015**	23,153
Impairment losses on trade and other receivables	**112,365**	20,620
COVID-19 related rent concessions received	**–**	231
Auditors' remuneration		
– audit services	**2,000**	1,980
Amortisation of drama series and films recognised as cost of sales expenses	**42,259**	79,409
Cost of drama series and films recognised as cost of sales expenses	**51,796**	28,552

6. Income tax

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2021 RMB'000	2020 RMB'000
Current tax		
Provision for the year	–	105
Under-provision in previous years	64	–
Deferred tax		
Origination and reversal of temporary differences *(note 23(b))*	11,344	(9,669)
	11,408	(9,564)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the years ended 31 December 2021 and 2020, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) For the year ended 31 December 2021, the Group's PRC subsidiaries are subject to income tax at the rate of 25% (2020: 25%).

(iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Star Rise Investments Ltd. and Star Will Investments (HK) Ltd., Hong Kong subsidiaries of the Company, would be subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries.

(v) Pursuant to the PRC Enterprise Income Tax preferential policies in Khorgos of Xinjiang province, Khorgos Star Rise Culture Media Co., Ltd., Khorgos Yingsheng Film and TV Culture Co., Ltd. and Khorgos Starrise Qicheng Media Co., Ltd., subsidiaries of the Company located in Khorgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year are 2016, 2016 and 2019 respectively.

Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd. were established in October and November 2020 respectively and no revenue was earned in 2021 and 2020.

6. Income tax (Continued)

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2021 RMB'000	2020 RMB'000 (Restated)
Loss before taxation	(522,710)	(291,219)
Notional tax on loss before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	(98,762)	(81,644)
Tax effect of non-deductible expenses	85	61,095
Under-provision in previous years	64	–
Tax effect of deductible temporary differences not recognised	84,804	–
Tax effect of unused tax losses not recognised	25,217	10,985
Income tax expense/(credit)	11,408	(9,564)

7. Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2021 Total RMB'000
Executive directors					
Liu Dong	–	187	–	–	187
Liu ZongJun	–	104	–	–	104
Chen Chen[1]	–	292	–	27	319
He Han	–	1,017	–	52	1,069
Yang Qinyan[2]	–	427	–	26	453
Independent Non-executive directors					
Lam Kai Yeung	90	–	–	–	90
Liu Chenhong	70	–	–	–	70
Kwok Pak Shing	70	–	–	–	70
	230	2,027	–	105	2,362

1 Resigned on 1 June 2021
2 Appointed on 1 June 2021

7. Directors' emoluments (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2020 Total RMB'000
Executive directors					
Liu Dong	–	205	–	–	205
Liu ZongJun	–	114	–	–	114
Chen Chen	–	806	–	11	817
He Han	–	1,105	–	4	1,109
Tan Bin[1]	–	1,313	–	16	1,329
Independent Non-executive directors					
Lam Kai Yeung	98	–	–	–	98
Wang LiangLiang[2]	19	–	–	–	19
Liu Chenhong	77	–	–	–	77
Kwok Pak Shing[3]	57	–	–	–	57
	251	3,543	–	31	3,825

1 Resigned on 14 December 2020
2 Resigned on 27 March 2020
3 Appointed on 27 March 2020

(i) During the years ended 31 December 2021 and 2020, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

(ii) No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

(iii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the years ended 31 December 2021 and 2020.

(iv) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

8. Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2020: three) are directors whose remuneration are disclosed in note 7. The remuneration of the five highest paid individuals are as follow:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	**1,848**	1,248
Retirement scheme contributions	**145**	8
	1,993	1,256

The number of highest paid employees (including the directors) whose emoluments fell within the following band:

	2021 Number of individuals	2020 Number of Individuals
HK$nil to HK$1,000,000	**4**	3
HK$1,000,001 to HK$1,500,000	**1**	2

9. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of the Company of RMB533,848,000 (2020: RMB281,551,000) and the weighted average number of 1,798,733,000 (2020: 1,416,912,000) ordinary shares in issue during the year, calculated as follows:

	2021 '000	2020 '000
Issued ordinary shares at 1 January	**1,416,912**	1,416,912
Effect of shares issuance	**381,821**	–
Weighted average number of ordinary shares for the year	**1,798,733**	1,416,912

9. Loss per share (Continued)

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary shareholders of the Company of RMB533,848,000 (2020: adjusted amount of RMB379,262,000) and the weighted average number of 1,798,733,000 (2020: adjusted number of 1,656,389,000) ordinary shares, calculated as follows:

(i) Loss attributable to ordinary equity shareholders of the Company (diluted)

	2021 RMB'000	2020 RMB'000 (Restated)
Loss attributable to ordinary shareholders	(533,848)	(281,551)
After tax effect of effective interest on the liability component of convertible bond*	–	28,761
After tax effect of gains recognised on the derivative component of and in respect of convertible bonds*	–	(126,472)
Loss attributable to ordinary shareholders (diluted)	(533,848)	(379,262)

(ii) Weighted average number of ordinary shares (diluted)

	2021 '000	2020 '000 (Restated)
Issued ordinary shares at 1 January	1,416,912	1,416,912
Effect of shares issuance	381,821	–
Effect of convertible bonds*	–	239,477
Weighted average number of ordinary shares (diluted) at 31 December	1,798,733	1,656,389

* The computation of diluted loss per share for the year ended 31 December 2021 does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would result in decrease in loss per share.

10. Property, plant and equipment and leasehold land

(a) Reconciliation of carrying amount

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Total RMB'000
Cost:				
At 1 January 2020				
As previous reported	29,758	4	1,991	31,753
Prior year adjustment *(note 1(aa))*	596	57	600	1,253
As restated	30,354	61	2,591	33,006
Additions	–	–	194	194
Disposals	(743)	–	(527)	(1,270)
At 31 December 2020 (Restated)	29,611	61	2,258	31,930
At 1 January 2021 (Restated)	**29,611**	**61**	**2,258**	**31,930**
Acquisition of subsidiaries *(note 25)*	**691**	**–**	**201**	**892**
Additions	**13,216**	**–**	**691**	**13,907**
At 31 December 2021	**43,518**	**61**	**3,150**	**46,729**
Accumulated depreciation, amortisation and impairment:				
At 1 January 2020				
As previous reported	(6,643)	(3)	(1,384)	(8,030)
Prior year adjustment *(note 1(aa))*	(248)	(42)	(210)	(500)
As restated	(6,891)	(45)	(1,594)	(8,530)
Charge for the year	(5,353)	(13)	(325)	(5,691)
Written back on disposals	464	–	298	762
At 31 December 2020 (Restated)	(11,780)	(58)	(1,621)	(13,459)
At 1 January 2021 (Restated)	**(11,780)**	**(58)**	**(1,621)**	**(13,459)**
Charge for the year	**(5,383)**	**–**	**(391)**	**(5,774)**
Impairment loss recognised *(note (c) and note 12)*	**(21,539)**	**–**	**(552)**	**(22,091)**
At 31 December 2021	**(38,702)**	**(58)**	**(2,564)**	**(41,324)**
Net book value:				
At 31 December 2021	**4,816**	**3**	**586**	**5,405**
At 31 December 2020 (Restated)	17,831	3	637	18,471

10. Property, plant and equipment and leasehold land (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2021 RMB'000	1 January 2021 RMB'000 (Restated)
Buildings	**4,816**	17,831

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Depreciation charge of right-of-use assets by class of underlying asset:		
Buildings	**5,383**	5,353
Interest on lease liabilities	**888**	1,146
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2020	**–**	320
Covid-19 related rent concessions received	**–**	231

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 22, respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to IFRS 16, Leases, Covid-19-Related Rent Concessions, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year ended 31 December 2020.

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed terms ranging from 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of difference terms and conditions.

(c) Impairment loss

As at 31 December 2021 and 2020, the Group assessed the recoverable amounts of property, plant and equipment, together with right-of-use assets and goodwill of the Group as set out in note 12.

11. Intangible assets

	Contractual right *(Note (a))* RMB'000	Patents and trademarks *(Note (b))* RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2020	–	–	35	35
Additions	20,000	–	–	20,000
At 31 December 2020	20,000	–	35	20,035
At 1 January 2021	**20,000**	**–**	**35**	**20,035**
Acquisition of subsidiaries *(note 25)*	**–**	**18,732**	**–**	**18,732**
At 31 December 2021	**20,000**	**18,732**	**35**	**38,767**
Accumulated amortisation:				
At 1 January 2020	–	–	(14)	(14)
Charge for the year	(3,000)	–	(7)	(3,007)
At 31 December 2020	(3,000)	–	(21)	(3,021)
At 1 January 2021	**(3,000)**	**–**	**(21)**	**(3,021)**
Charge for the year	**(2,000)**	**(568)**	**(7)**	**(2,575)**
At 31 December 2021	**(5,000)**	**(568)**	**(28)**	**(5,596)**
Net book value:				
At 31 December 2021	**15,000**	**18,164**	**7**	**33,171**
At 31 December 2020	17,000	–	14	17,014

Notes:

(a) The Group acquired the contractual right under an arrangement for provision of training services relating to films production, which would be amortised over the contractual period.

(b) The patent and trademarks were purchased as part of a business combination during the year. All the patents and trademarks are used for provision of cloud gaming, software development and technology consulting services.

12. Goodwill

	2021 RMB'000	2020 RMB'000
Cost:		
At 1 January and 31 December	**511,525**	511,525
Accumulated impairment losses:		
At 1 January	**(363,168)**	(76,444)
Impairment loss	**(148,357)**	(286,724)
At 31 December	**(511,525)**	(363,168)
Carrying amount:		
At 1 January	**148,357**	435,081
At 31 December	**–**	148,357

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

	2021 RMB'000	2020 RMB'000
Solid Will Ltd. and its subsidiaries ("**Solid Will**")	**–**	148,357
Star Will Investments Ltd. and its subsidiaries ("**Star Will**")	**–**	–
Beijing Starwise Culture Media Co., Ltd. ("**Beijing Starwise**")	**–**	–
At 31 December	**–**	148,357

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five years period. Cash flows beyond the period are extrapolated using a long-term growth rate estimated by management. The growth rates used do not exceed the long-term average growth rates for the businesses in which the CGUs operate.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant businesses and have been based on historical data from both external and internal sources.

12. Goodwill (Continued)

Impairment tests for cash-generating units containing goodwill (Continued)

The key assumptions used in the estimation of value in use are as below.

	Revenue average growth rate		Discount rate		Budgeted gross margin		Long-term growth rate	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Solid Will	**5%**	6%	**32%**	28%	**18%**	38%	**3%**	3%
Star Will	**N/A**	17%	**NA**	30%	**NA**	26%	**NA**	3%
Beijing Starwise	**N/A**	2%	**NA**	34%	**NA**	25%	**NA**	3%

Discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

Budgeted gross margins represent the average gross margin over the forecast period, and are based on past performance and management's expectations for the future.

Long-term growth rates are determined as the lower of the long-term weighted average growth rate estimated by management and the long-term average growth rates for the businesses in which the CGUs operate.

As at 31 December 2020, as the result of the continuously unfavourable market circumstances and sustained operating loss of the media business in relation to Solid Will, Star Will and Beijing Starwise, the recoverable amounts of Solid Will, Star Will and Beijing Starwise were lower than their net carrying amounts resulting in impairment loss in goodwill of approximately RMB282,539,000, RMB62,181,000 and RMB18,448,000 for Solid Will, Star Will and Beijing Starwise respectively. No impairment loss was recognised on property, plant and equipment and right-of-use assets.

As at 31 December 2021, the Group has suffered operating loss continuously. The management of the Group assessed the recoverable amount of Solid Will, Star Will and Beijing Starwise based on the management assessments and concluded that the recoverable amount of Solid Will, Star Will and Beijing Starwise as at 31 December 2021 is RMBnil resulting in impairment loss for Solid Will in property, plant and equipment, right-of-use assets and goodwill of approximately RMB552,000, RMB21,539,000 and RMB148,357,000, respectively.

13. Financial assets at fair value through profit or loss

	2021	2020
	RMB'000	RMB'000
Non-current assets		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted equity interest in a fund – 嘉興首建投五號投資合伙企業(有限企業)(“**嘉興首建投**”) *(note)*	**1,870**	1,870

Note:

On 8 October 2019, the Group and 14 independent third parties established 嘉興首建投 for the purpose of investing in unlisted equity for capital appreciation. The Group contributed RMB1,900,000 to 嘉興首建投 as a limited partner. Upon the completion of the capital contribution, the Group holds 4.74% equity interest in 嘉興首建投.

14. Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest			
Name of company	*Notes*	**Place of Incorporation/ establishment and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Solid Will Ltd.		The British Virgin Islands	1 share of US$1 each	100%	100%	–	Investment holding
Star Will Investments Ltd.		The British Virgin Islands	1 share of US$1 each	100%	100%	–	Investment holding
Star Rise Investments Ltd. （星宏投資有限公司）		Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding
Star Will Investments (HK) Ltd. （星途投資（香港）有限公司		Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding
Beijing Starrise Media Co., Ltd. （北京星宏文化傳媒有限公司）	*(i) (iii)*	The PRC	Registered capital of US$50,000,000 and paid-in capital of US$30,980,000	100%	–	100%	Investment holding
Beijing Starrise Cultural Development Co., Ltd.（北京星宏文化發展有限公司）	*(i)(ii) (iii)*	The PRC	RMB5,000,000	100%	–	–	Investment holding
Beijing Huasheng Taitong Media Investment Co., Ltd. （北京華晟泰通傳媒投資有限公司）	*(i) (ii) (iii)*	The PRC	Registered capital of RMB100,050,000 and paid-in capital of RMB100,050,000	100%	–	–	Drama series and films production and distribution
Khorgos Starrise Media Co., Ltd. （霍爾果斯星宏文化傳媒有限公司）	*(i) (ii) (iii)*	The PRC	RMB10,000,000	100%	–	–	Drama series and films production and distribution
Beijing Starrise Pictures Co., Ltd. （北京星宏影視文化有限公司）	*(i) (ii) (iii)*	The PRC	RMB10,000,000	100%	–	–	Drama series and films production and distribution
Khorgos Yingsheng Pictures Co., Ltd. （霍爾果斯瀛晟影視文化有限公司）	*(i) (ii) (iii)*	The PRC	Registered capital of RMB10,000,000 and paid-in capital of RMB6,800,000	100%	–	–	Drama series and films production and distribution
Beijing Yongming Film Culture Co., Ltd. （北京勇明影視文化有限公司）	*(i) (ii) (iii)*	The PRC	Registered capital of RMB5,000,000 and paid-in capital of RMB nil	100%	–	–	Leasing of equipment, costumes and props relating to drama series and films production

14. Investments in subsidiaries (Continued)

Name of company	*Notes*	Place of Incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Beijing Starwise Culture Media Co., Ltd. (北京睿博星辰文化傳媒有限公司)	*(i) (ii) (iii)*	The PRC	RMB10,000,000	100%	–	–	Drama series and films production and distribution
Ningbo Yuanning Media Co., Ltd. (寧波原甯文化傳媒有限公司)	*(i) (ii) (iii)*	The PRC	RMB3,000,000	100%	–	–	Drama series and films production and distribution
Digital Light Year Technology Co., Limited (數字光年科技有限公司)		Hong Kong	HK$10,000	100%	–	100%	Investment holding
Beijing Millennium Light Year Information Technology Co., Ltd. (北京千禧光年信息技術有限公司)	*(i) (iii)*	The PRC	Registered capital of US$10,000,000 and paid-in capital of US$5,450,000	100%	–	100%	Provision of cloud gaming, software development and technology consulting services
Xi'an Digital Light Year Software Development Co., Ltd. ("**Xi'an Digital Light Year**") (西安數字光年軟件開發有限公司)	*(i) (iii)*	The PRC	Registered capital of RMB20,000,000 and paid-in capital of RMB7,800,000	62%	–	62%	Provision of software development, internet data, digital content production services

Notes:

(i) The official names of these entities are in Chinese. The English translations of the names are for reference only.

(ii) These are the subsidiaries arising from the contractual arrangements (see note 2(a) for details).

(iii) These subsidiaries are registered as limited liability companies under PRC Law.

14. Investments in subsidiaries (Continued)

The following table lists out the information relating to Xi'an Digital Light Year which was acquired by the Group during the year ended 31 December 2021 and have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination and the post-acquisition revenue, financial performance and cash flows.

	2021 Xi'an Digital Light Year	2020 Xi'an Digital Light Year
NCI percentage	**38%**	N/A
	RMB'000	RMB'000
Current assets	**6,544**	–
Non-current assets	**3,649**	–
Current liabilities	**(454)**	–
Non-current liabilities	**(410)**	–
Net assets	**9,329**	–
Carrying amount of NCI	**3,588**	–
Revenue	**–**	–
Loss for the year	**(40)**	–
Total comprehensive income	**(40)**	–
Loss allocated to NCI	**(15)**	–
Cash flows generated from operating activities	**141**	–
Cash flows used in investing activities	**–**	–
Cash flows generated from financing activities	**–**	–

N/A: Not applicable

15. Drama series and films

	2021 RMB'000	2020 RMB'000 (Restated)
Costs of drama series and films		
– in production	72,041	96,511
– completed production	301,458	239,694
	373,499	336,205
Accumulated write-downs	(227,360)	(25,345)
	146,139	310,860
Drama series and films – current portion	15,197	22,764
Drama series and films – non-current portion	130,942	288,096
	146,139	310,860

	In production RMB'000	Completed production RMB'000	Total RMB'000
As at 1 January 2020	168,756	189,910	358,666
Additions	83,308	–	83,308
Transfer upon production completed	(155,553)	155,553	–
Recognised in cost of sales	–	(107,961)	(107,961)
Impairment loss recognised	(7,324)	(15,829)	(23,153)
As at 31 December 2020	89,187	221,673	310,860
As at 1 January 2021	89,187	221,673	310,860
Additions	123,310	8,039	131,349
Transfer upon production completed	(147,015)	147,015	–
Recognised in cost of sales	–	(94,055)	(94,055)
Impairment loss recognised	(54,216)	(147,799)	(202,015)
As at 31 December 2021	11,266	134,873	146,139

15. Drama series and films (Continued)

During the year ended 31 December 2021, due to delays of the publication dates and changes in the economic environment, the management considered that there existed indicators of impairment of drama series and films, and based on the results of the impairment assessment performed as at 31 December 2021 on these assets an impairment loss of approximately RMB202,015,000 (2020: RMB23,153,000) was recognised in "other expenses" in the consolidated income statement. The impairment assessment was made based on management's estimation of the recoverable amount against the carrying amount of the drama series and films. The estimated recoverable amount as at 31 December 2021 was determined based on the value in use of the assets and represented the present value of expected future revenue and related cash flows arising from the drama series and films discounting using the discount rate of 32.13% (2020: range from 28.19% to 34.16%).

16. Contract liabilities

	2021 RMB'000	2020 RMB'000
Advance received for selling drama series and films	–	3,078

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives advance payments from certain customers before the relevant production activity commences this will give rise to contract liabilities at the start of a contract, until the relevant revenue recognised exceeds the amount of the advance received.

Movements in contract liabilities

	2021 RMB'000	2020 RMB'000
Balance at 1 January	3,078	3,078
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(3,078)	–
Balance at 31 December	–	3,078

As at 31 December 2020, no contract liabilities is expected to be recognised as income after more than one year.

17. Trade and other receivables

	2021	2020
	RMB'000	RMB'000
		(Restated)
Trade debtors and bills receivable, net of loss allowance *(note 17(a))*	**78,131**	206,782
Deposits, prepayments and other receivables *(note 17(b))*	**484,876**	577,181
	563,007	783,963
Other receivables expected to be collected or recognised as expense after more than one year	**(31,618)**	(1,375)
Trade and other receivables expected to be recovered or recognised as expense within one year	**531,389**	782,588

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the revenue recognition date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	RMB'000
Less than 3 months	**52,891**	172,396
3 to 6 months	**–**	1,912
6 to 12 months	**–**	29,736
More than one year	**25,240**	2,738
	78,131	206,782

17. Trade and other receivables (Continued)

(a) Ageing analysis (Continued)

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the due date and net of loss allowance, is as follows:

	2021 RMB'000	2020 RMB'000
Current	**52,891**	99,655
Less than 3 months past due	**–**	72,741
3 to 6 months past due	**–**	1,912
6 to 12 months past due	**1,716**	29,736
More than one year past due	**23,524**	2,738
Amounts past due	**25,240**	107,127
	78,131	206,782

Trade debtors and bills receivable are due within 1 to 6 months from the date of billing. Further details on the Group's credit policy are set out in note 26.

(b) Deposits, prepayments and other receivables

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Advances relating to drama series and films	*(i)*	**104,251**	167,863
Amount due from a shareholder	*(ii)*	**131,856**	249,218
Other receivables relating to disposal of an associate	*(iii)*	**–**	4,000
Amounts due from third parties	*(iv)*	**242,681**	149,956
Deferred expenses		**888**	1,525
Others		**5,200**	4,619
		484,876	577,181

17. Trade and other receivables (Continued)

(b) Deposits, prepayments and other receivables (Continued)

Notes:

(i) The balance represents advances to the film producers for the production of drama series and films. The Group is entitled to receive fixed income at annual return rate ranging from 10% to 15% (2020: 6% to 15%) on the investment costs.

(ii) The balance represents the consideration receivable for the disposal of subsidiaries during the year ended 31 December 2019. Subsequent to the end of the current reporting period, on 9 March 2022 and 12 October 2022, the Company has entered into agreements with the shareholder for repayment extension to June 2022 and June 2023 respectively. The Group has received RMB89,000,000 in 2022 and the remaining balance of RMB42,856,000 during February 2023 to April 2023 from the debtor.

(iii) The balance represents the consideration receivable for the disposal of an associate during the year ended 31 December 2019.

(iv) As at 31 December 2021, these amounts due from third parties consist of (i) amount receivable from bank in relation to settlement of bonds of RMB38,173,000, which was settled to the Group on 6 January 2022; (ii) other receivables of RMB119,831,000 from Swift Power Limited ("**Swift Power**"), which was previously a subsidiary of the Company prior to its disposal in 2017. The amount was arising from the funds transferred to Swift Power by the Group as working capital prior to the disposal of Swift Power. The amount was fully settled during January to May 2023; (iii) other receivables of RMB27,060,000 from Beijing Downing Street Technology Co., Limited, a customer of the Group, bearing interest at 8% per annum and repayable within 12 months from the end of the reporting period and fully settled on 16 May 2023; (iv) other receivables of RMB30,243,000 from Ningbo Xinglin Culture Development Co., Limited, a film co-production partner of the Group, bearing interest at 6% per annum and repayable within 24 months from the date of agreement and RMB4,950,000 was settled up to the date of this report; and (v) other receivables of RMB17,005,000 from Zhejiang Dongyang Nut Film and Television Culture Co., Limited, a supplier of the Group.

18. Cash and cash equivalents

(a) Reconciliation of cash and bank to cash and cash equivalents

	2021 **RMB'000**	2020 RMB'000 (Restated)
Bank deposits	**35,498**	12,333
Cash in hand	**–**	18
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	**35,498**	12,351

As at 31 December 2021, the Group's cash and cash equivalents of RMB32,586,000 (2020: RMB9,840,000) are denominated in RMB.

The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

18. Cash and cash equivalents (Continued)

(b) Reconciliation of loss before taxation to cash generated from operations:

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Loss before taxation		**(522,710)**	(291,219)
Adjustments for:			
Depreciation	*5(c)*	**5,774**	5,691
Amortisation	*5(c)*	**2,575**	3,007
Impairment of goodwill	*5(c)*	**148,357**	286,724
Impairment of property, plant and equipment	*5(c)*	**22,091**	–
Write-downs for drama series and films	*5(c)*	**202,015**	23,153
Net impairment losses on trade and other receivables	*5(c)*	**112,365**	20,620
Interest income	*5(a)*	**(3,293)**	(24)
Interest exemption of convertible bonds	*4*	**(6,639)**	–
Change in fair value of derivatives embedded in convertible bonds	*4*	**(2,901)**	(126,472)
Change in fair value of derivatives embedded in other borrowings	*4*	**(6,488)**	(907)
Gain from a bargain purchase	*25(e)*	**(1,242)**	–
Finance costs		**15,121**	37,113
Net loss on disposal of property, plant and equipment		**–**	508
COVID-19-related rent concessions received	*10(b)*	**–**	(231)
Foreign exchange (gain)/loss		**(391)**	162
		(35,366)	(41,875)
Changes in working capital:			
(Increase)/decrease in drama series and films		**(37,294)**	24,653
Increase in contractual right		**–**	(20,000)
Decrease in trade and other receivables		**87,366**	69,927
Increase/(decrease) in trade and other payables		**18,995**	(24,612)
Decrease in contract liabilities		**(3,078)**	–
Cash generated from operations		**30,623**	8,093

18. Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 *(Note 20)*	Convertible bonds RMB'000 *(Note 21)*	Lease liabilities RMB'000 *(Note 22)*	Advance from third parties and a director RMB'000 *(Note 19)*	Bonds RMB'000 *(Note 21)*	Other borrowing RMB'000 *(Note 21)*	Total RMB'000
At 1 January 2021	35,500	108,055	17,715	24,183	36,374	46,822	268,649
Changes from financing cash flows:							
Capital element of lease rentals paid	–	–	(5,468)	–	–	–	(5,468)
Proceeds from bank loans	43,000	–	–	–	–	–	43,000
Repayment of bank loans	(35,500)	–	–	–	–	–	(35,500)
Payments for redemption of convertible bonds	–	(41,500)	–	–	–	–	(41,500)
Proceeds for advance from third parties and a director	–	–	–	18,060	–	–	18,060
Payments for advance from third parties and a director	–	–	–	(27,020)	–	–	(27,020)
Interest element of lease rentals paid	–	–	(888)	–	–	–	(888)
Other borrowing costs paid	(1,805)	(125)	–	(2,052)	–	–	(3,982)
Total changes from financing cash flows	5,695	(41,625)	(6,356)	(11,012)	–	–	(53,298)
Other changes:							
Exchange adjustments	–	(2,737)	–	–	(1,050)	–	(3,787)
Change in fair value of derivatives embedded in convertible bonds	–	(311)	–	–	–	–	(311)
Change in fair value of derivatives embedded in other borrowings	–	–	–	–	–	(6,488)	(6,488)
Interest exemption of convertible bonds	–	(6,639)	–	–	–	–	(6,639)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	–	(2,590)	–	–	–	–	(2,590)
New leases entered	–	–	13,216	–	–	–	13,216
Acquisition of subsidiaries *(note 25)*	–	–	691	–	–	–	691
Interest on lease liabilities	–	–	888	–	–	–	888
Interest on bank loans and other financial liabilities *(note 5(a))*	1,805	6,756	–	2,769	2,903	–	14,233
Exercise of conversion rights *(note 24(b)(ii))*	–	(60,909)	–	–	–	–	(60,909)
Total other changes	1,805	(66,430)	14,795	2,769	1,853	(6,488)	(51,696)
At 31 December 2021	43,000	–	26,154	15,940	38,227	40,334	163,655

18. Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank loans RMB'000 *(Note 20)* (Restated)	Convertible bonds RMB'000 *(Note 21)*	Lease liabilities RMB'000 *(Note 22)* (Restated)	Advance from third parties and a director RMB'000 *(Note 19)* (Restated)	Bonds RMB'000 *(Note 21)*	Other borrowing RMB'000 *(Note 21)* (Restated)	Total RMB'000 (Restated)
At 1 January 2020	14,850	281,962	22,848	77,513	218,051	48,844	664,068
Changes from financing cash flows:							
Capital element of lease rentals paid	–	–	(4,902)	–	–	–	(4,902)
Proceeds from bank loans	32,500	–	–	–	–	–	32,500
Repayment of bank loans	(7,000)	–	–	–	–	–	(7,000)
Payments for redemption of convertible bonds	–	(57,466)	–	–	–	–	(57,466)
Proceeds from issuance of bonds	–	–	–	–	36,284	–	36,284
Payments for redemption of bonds	–	–	–	–	(216,550)	–	(216,550)
Proceeds for advance from third parties	–	–	–	(53,330)	–	–	(53,330)
Interest element of lease rentals paid	–	–	(1,146)	–	–	–	(1,146)
Payment for other borrowing	–	–	–	–	–	(1,115)	(1,115)
Other borrowing costs paid	(7,114)	(6,306)	–	–	(13,981)	–	(27,401)
Total changes from financing cash flows	18,386	(63,772)	(6,048)	(53,330)	(194,247)	(1,115)	(300,126)
Other changes:							
Exchange adjustments	–	(12,424)	–	–	–	–	(12,424)
Change in fair value of embedded in convertible bonds	–	(113,266)	–	–	–	–	(113,266)
Change in fair value of Derivatives embedded in other borrowings	–	–	–	–	–	(907)	(907)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	–	(13,206)	–	–	–	–	(13,206)
Maturity of discounted bills	(4,850)	–	–	–	–	–	(4,850)
Covid-19-related rent concessions received *(note 10(b))*	–	–	(231)	–	–	–	(231)
Interest on lease liabilities	–	–	1,146	–	–	–	1,146
Interest on bank loans and other financial liabilities *(note 5(a))*	7,114	28,761	–	–	12,570	–	48,445
Total other changes	2,264	(110,135)	915	–	12,570	(907)	(95,293)
At 31 December 2020	35,500	108,055	17,715	24,183	36,374	46,822	268,649

18. Cash and cash equivalents (Continued)

(d) Total cash outflow for leases:

Amounts included in the cash flow statement for leases comprise the following:

	2021 RMB'000	2020 RMB'000 (Restated)
Within operating cash flows	–	320
Within financing cash flows	6,356	6,048
	6,356	6,368

These amounts relate to the following:

	2021 RMB'000	2020 RMB'000 (Restated)
Lease rentals paid	6,356	6,368

19. Trade and other payables

	2021 RMB'000	2020 RMB'000 (Restated)
Trade creditors and bills payable *(note 19(a))*	7,684	9,454
Receipts in advance	8,191	7,764
Other creditors and accrued charges *(note 19(b))*	137,474	122,422
	153,349	139,640

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

19. Trade and other payables (Continued)

(a) Ageing analysis

As of the end of the reporting period, the aging of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2021	2020
	RMB'000	RMB'000
Within 3 months	**7,684**	9,454

(b) Other creditors and accrued charges

	2021	2020
	RMB'000	RMB'000
		(Restated)
Advances from third parties *(note (a))*	**12,927**	24,183
Payables relating to drama series and films *(note (b))*	**84,101**	64,727
Tax payable other than income tax *(note (c))*	**23,693**	18,410
Amount due to a director *(note (d))*	**3,013**	–
Accrued charges	**851**	986
Other payables	**12,889**	14,116
	137,474	122,422

Notes:

(a) As at 31 December 2021, advances from third parties of RMB10,000,000 (2020: RMB18,000,000) are unsecured, interest bearing at 10% – 11% per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.

(b) Payables relating to drama series and films mainly represented the income received on behalf of the independent third parties who cooperated with the Group for production of drama series and films. The amounts are unsecured, interest-free and had no fixed repayment terms or repayable within one year.

(c) Tax payable other than income tax mainly represents Value-added tax of RMB14,012,000 (2020: RMB14,453,000), Urban Maintenance and Construction tax of RMB1,547,000 (2020: RMB1,521,000) and surcharge of RMB1,112,000 (2020: RMB1,094,000).

(d) On 31 December 2020, the Group (as the borrower) and Ms. Yang Qinyan (as the lender), a director of the Company appointed on 1 June 2021, had entered into a facility agreement pursuant to which Ms. Yang agreed to lend to the Group up to RMB10,000,000 in aggregate principal amount which was unsecured, bearing interest at 4.35% per annum for the period from 1 January 2021 to 31 December 2023. As the agreement contain a repayment on demand clause, therefore the loan is classified as a current liability. During the period from 1 January 2021 to 31 May 2021, the Group received RMB4,410,000 from Ms. Yang, incurred interest expense of RMB101,000 to Ms. Yang and settled RMB1,710,000 to Ms. Yang. During the period from 1 June 2021 to 31 December 2021, the Group received RMB4,150,000 from Ms. Yang, incurred interest expense of RMB62,000 to Ms. Yang and settled RMB4,000,000 to Ms. Yang. The transactions contemplated under the facility agreement constituted continuing connected transactions as defined in Chapter 14A of the Main Board Listing Rules. However, these transactions are fully exempt from the disclosure requirements in Chapter 14A of the Main Board Listings Rules as the transactions were on normal commercial terms or better and no security over the assets of the Company was granted in respect of such financial assistance.

20. Bank loans

	2021 RMB'000	2020 RMB'000
Bank loans		
– unsecured	**33,000**	35,500
– secured	**10,000**	–
	43,000	35,500

As at 31 December 2021, the bank loans were repayable as follows:

	2021 RMB'000	2021 Maturity date	2020 RMB'000	2020 Maturity date
Beijing Rural Commercial Bank	**10,000**	**28 July 2022**	8,500	10 April 2021
Bank of Beijing	**3,000**	**16 July 2022**	5,000	18 June 2021
China Merchants Bank	**12,800**	**29 March 2022**	5,000	28 July 2021
Bank of Beijing	**7,000**	**24 November 2022**	10,000	4 December 2021
Bank of Beijing	**10,000**	**23 November 2022**	7,000	10 December 2021
China Merchants Bank	**200**	**25 April 2022**	–	
	43,000		35,500	

Details of the Group's interest rate risk and liquidity rate risk are set out in note 26.

21. Other borrowings

(a) The analysis of the carrying amount of other borrowings is as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Convertible bonds *(note 21(b)(i))*		
– host liability component	**–**	104,759
– derivative liability component	**–**	3,296
	–	108,055
Bonds *(note 21(b)(ii) and (iii))*	**38,227**	36,374
Other borrowing *(note 1 (aa))*	**38,133**	38,133
Other borrowing – derivative liability *(note 1 (aa))*	**2,201**	8,689
	78,561	191,251
Amounts expected to be settled within one year	**(78,561)**	(191,251)
Amounts expected to be settled after one year	**–**	–

Except for the derivative liability component of convertible bonds and derivative liability component of other borrowing, which are carried at fair value, all other borrowings are carried at amortised cost.

21. Other borrowings (Continued)

(b) Significant terms and repayment schedule of non-bank borrowings

(i) 2017 Convertible Bonds

On 28 February 2017, the Company issued convertible bonds with a face value of HK$300,000,000 and a maturity date on 28 February 2019, which is extendable to 28 February 2020, 28 February 2021 or 28 February 2022 if agreed by the Company and the bondholders. The convertible bonds bear a nominal interest rate at 5% per annum and are guaranteed by Liu Zhihua, a shareholder of the Company.

The rights of the bondholders to convert the bonds into ordinary shares are as follows:

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.
- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the initial conversion price of HK$1.21 per share, which was adjusted to HK$0.156 per share (subject to further adjustments) in 2021.

For bonds in respect of which conversion rights have not been exercised, these bonds shall be redeemed at face value on 28 February 2019 or, if agreed to be extended by the Company and the bondholder, on 28 February 2020, 28 February 2021 or 28 February 2022.

The convertible bonds contained two components, i.e. host liability component and derivative liability component. The effective interest rate of the host liability component is 22% per annum. The derivatives liability component of the convertible bonds is measured at fair value with changes in fair value recognised in the profit or loss.

On 30 October 2019, the Original Bondholder transferred the convertible bonds with an aggregate face value of HK$60,000,000 to Skyland Circle Technology Limited ("**Skyland**").

On 27 February 2020, the Company, the Original Bondholder and Skyland conditionally agreed to further extend the maturity date of the remaining convertible bonds with an aggregate face value of HK$180,000,000 from 28 February 2020 to 28 February 2021, which is subject to, among other things, the approvals of the Company's shareholders at the general meeting. The extension of maturity date of the bonds was approved by the Company's shareholders at the extraordinary general meeting of the company held on 9 April 2020.

On 24 April 2020, the Original Bondholder transferred the convertible bonds with an aggregate face value of HK$20,000,000 to BeiTai Investment LP ("**BeiTai**").

21. Other borrowings (Continued)

(b) Significant terms and repayment schedule of non-bank borrowings (Continued)

(i) 2017 Convertible Bonds (Continued)

On 28 February 2019, the Company and the Original Bondholder conditionally agreed to extend the maturity date of the remaining convertible bonds with an aggregate face value of HK$180,000,000 from 28 February 2019 to 28 February 2020, which is subject to, among other things, the approvals of the Company's shareholders at the general meeting. The extension of maturity date of the bonds was approved by the Company's shareholders at the extraordinary general meeting of the company held on 8 April 2019. The effective interest rate of the host liability component is 12% per annum for the extended bonds.

As at 14 December 2020, the Company, pursuant to the terms and conditions of the convertible bonds and as agreed between the Company and Skyland, early redeemed the convertible bonds at the face value of HK$60,000,000 in full.

Convertible bonds with a face value amounted to HK$120,000,000 were outstanding as at 31 December 2020.

On 26 February 2021, convertible bonds with a face value of HK$20,000,000 held by BeiTai were converted into the Company's shares at the conversion price of HK$0.156 per share.

On 12 April 2021, the Company redeemed the convertible bonds in the aggregate principal amount of HK$50,000,000 held by the Original Bondholder. After completion of the partial redemption, the convertible bonds in aggregate principal amount of HK$50,000,000 remained outstanding, all of which were held by the Original Bondholder.

On 7 May 2021, the Company and the Original Bondholder entered into the 3rd extension agreement, pursuant to which the Company and the Original Bondholder conditionally agreed that the maturity date of the outstanding bonds shall be further extended to 30 June 2021. On 7 May 2021, the Company, the Original Bondholder and Aim Right Ventures Limited ("**Aim Right**") entered into the transfer agreement, pursuant to which the Original Bondholder conditionally agreed to sell and Aim Right conditionally agree to purchase the outstanding bonds for the consideration of HK$50,000,000 subject to the consent of the Company. The completion of the 3rd extension agreement and the transfer agreement were subject to, among other things, the respective approvals of the Company's shareholders at the extraordinary general meeting. The extension of maturity date of the outstanding bonds and the transfer were approved by the Company's shareholders at the extraordinary general meeting of the Company held on 16 June 2021.

On 30 June 2021, all conditions precedent set out in the 3rd extension agreement and the transfer agreement have been fulfilled. On the same date, the convertible bonds with a face value of HK$50,000,000 held by Aim Right were converted into the Company's shares at the conversion price of HK$0.156 per share.

21. Other borrowings (Continued)

(b) Significant terms and repayment schedule of non-bank borrowings (Continued)

(ii) 2018 Bonds

On 10 May 2018, the Company issued bonds with an aggregate face value of HK$235,500,000 and a maturity date on 9 May 2020, which is extendable to 9 May 2021, 9 May 2022 or 9 May 2023 if agreed by the Company and Bison Global Investment SPC ("**the Bondholder**"). The bonds bear a nominal interest rate of 6% per annum.

On 1 August 2019, the Company and the Bondholder agreed to extend the maturity date of the bonds with an aggregate face value of HK$235,500,000 from 9 May 2020 to 9 March 2021.

On 30 November 2020, the Company, pursuant to the terms and conditions of the bonds and as agreed into the bondholder, early redeemed the bonds at the face value of HK$235,500,000.

(iii) 2020 Bonds

On 11 December 2020, the Company issued bonds with an aggregate face value of HK$43,000,000 and a maturity date on 11 December 2021, which is extendable to 11 December 2022 if agreed by the Company and BeiTai. The bonds bear a nominal interest rate of 8% per annum. Interest is payable in arrears on 30 June 2021 and the maturity date.

On 23 March 2021, the Company and BeiTai agreed to extend the maturity date of the bonds in the aggregate principal amount of HK$43,000,000 to 15 February 2022. On 15 February 2022, the Company failed to settle the principal amount outstanding of RMB35,157,000 together with accrued interest of RMB3,070,000. The Group partially settled RMB3,334,000 after maturity date of the bonds. Up to the date when the consolidated financial statements were authorised for issue, the Company has been continuing its discussion with BeiTai as to the repayment plan of the bonds and the parties have not reached agreement yet.

22. Lease liabilities

As at 31 December 2021, the lease liabilities were repayable as follow:

	2021 **RMB'000**	2020 RMB'000 (Restated)
Within 1 year	**(5,218)**	(5,393)
After 1 year but within 2 years	**(5,264)**	(711)
After 2 years but within 5 years	**(6,784)**	(2,005)
After 5 years	**(8,888)**	(9,606)
	(20,936)	(12,322)
	(26,154)	(17,715)

23. Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	2021 RMB'000	2020 RMB'000
At 1 January	**39,487**	39,489
Provision for PRC Enterprise Income Tax and PRC dividend withholding tax for the year	**–**	105
Under-provision in previous years	**64**	–
Tax paid	**(64)**	(107)
At 31 December	**39,487**	39,487

(b) Deferred tax asset and liabilities recognised

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	PRC dividend withholding tax RMB'000	Depreciation charge of right-of-use assets RMB'000	Expected credit loss allowance RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2020	5,357	97	–	(1,861)	3,593
Charged/(credited) to profit or loss	–	3	(9,672)	–	(9,669)
At 31 December 2020	5,357	100	(9,672)	(1,861)	(6,076)
At 1 January 2021	**5,357**	**100**	**(9,672)**	**(1,861)**	**(6,076)**
(Credited)/charged to profit or loss	**(316)**	**127**	**9,672**	**1,861**	**11,344**
At 31 December 2021	**5,041**	**227**	**–**	**–**	**5,268**

(ii) Reconciliation to the consolidated statements of financial position

	2021 RMB'000	2020 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**–**	(11,600)
Net deferred tax liability recognised in the consolidated statement of financial position	**5,268**	5,524
	5,268	(6,076)

23. Income tax in the consolidated statements of financial position (Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain of its subsidiaries of RMB175,183,000 (2020: RMB79,429,000) as it is not probable that future taxable profits against which the losses can be utilised will be available to the relevant subsidiaries. The tax losses expire within the next five years.

As at 31 December 2021, the Group has deductible temporary differences arising from expected credit losses on trade and other receivable and impairment losses on drama series and films of RMB364,520,000 (2020: RMB25,305,000). As at 31 December 2021 and 2020, no deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(d) Deferred tax liabilities not recognised

As at 31 December 2021, there are temporary differences relating to retained earnings of the Company's PRC subsidiaries amounted to RMB304,271,000 (2020: RMB304,271,000) for which no deferred tax liabilities were recognised in respect of the PRC dividend withholding tax at 10% that would be payable on the distribution of these profits to the Group's subsidiaries outside the PRC as the Group has no plan to distribute them in the foreseeable future.

Pursuant to the currently applicable PRC Enterprise Income Tax rules, distribution of statutory surplus reserve upon liquidation shall be treated as dividend income which is subject to PRC dividend withholding tax at 10% or less if reduced tax treaties or arrangements. As at 31 December 2021, temporary differences relating to the statutory surplus reserve of the Company's PRC subsidiaries amounted to RMB73,971,000 (2020: RMB73,971,000). No deferred tax liabilities were recognised as at 31 December 2021 as the Group has no plan to liquidate these subsidiaries in the foreseeable future.

24. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

The Company

	Share capital	Share premium	Other reserve	Retained earnings/ (accumulated losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	90,578	807,404	146,736	6,645	1,051,363
Changes in equity for 2020:					
Profit and total comprehensive income for the year	–	–	–	56,625	56,625
Balance at 31 December 2020 and 1 January 2021	**90,578**	**807,404**	**146,736**	**63,270**	**1,107,988**
Change in equity for 2021:					
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(1,018,468)**	**(1,018,468)**
Shares issuance *(note)*	**47,223**	**50,065**	**–**	**–**	**97,288**
Balance at 31 December 2021	**137,801**	**857,469**	**146,736**	**(955,198)**	**186,808**

24. Capital, reserves and dividends (Continued)

(b) Share capital

Authorised and issued share capital are as follows:

	2021		2020	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised:				
Ordinary shares of US$0.01 each	10,000,000,000	632,110	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	1,416,911,818	90,578	1,416,911,818	90,578
Shares issuance *(note)*	734,665,208	47,223	–	–
At 31 December	2,151,577,026	137,801	1,416,911,818	90,578

Notes:

(i) On 19 January 2021, Jinbi Market (Hong Kong) Limited has subscribed for an aggregate of 101,137,134 new shares at the subscription price of HK$0.156 per subscription share. The net proceeds of the subscription are approximately HK$15,777,000 (equivalent to approximately RMB12,946,000), of which RMB6,442,000 and RMB6,504,000 were recognised in share capital and share premium respectively.

(ii) On 26 February 2021 and 30 June 2021, the convertible bonds with an aggregate face value of HK$20,000,000 and HK$50,000,000 were converted into 128,205,128 and 320,512,820 ordinary shares of par value of US$0.01 each at the conversion price of HK$0.156 per share and the closing price on the date of conversion was HK$0.158 and HK$0.165 per ordinary share respectively. The net consideration from the shares issuance were approximately HK$73,141,000 (equivalent to approximately RMB60,909,000), of which RMB29,002,000 and RMB31,907,000 were recognised in share capital and share premium respectively.

(iii) On 3 December 2021, the Company issued 184,810,126 new shares to the Vendor (as defined in note 25) at the issue price of HK$0.155 for settlement of the consideration of HK$28,646,000 (equivalent to approximately RMB23,433,000), of which RMB11,779,000 and RMB11,654,000 were recognised in share capital and share premium respectively, for the acquisition of subsidiaries for the year ended 31 December 2021.

24. Capital, reserves and dividends (Continued)

(c) Nature and purpose of reserves

(i) Statutory surplus reserve

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to statutory surplus reserve were made at a certain percentage of after-tax profit (after offsetting prior year losses) determined in accordance with the accounting rules and regulations of the PRC until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The statutory surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiaries and is non-distributable other than in liquidation.

(ii) Other reserve

The other reserve represents mainly the difference between the net assets value of subsidiaries acquired and the consideration paid and the waived amount of the amount due to the holding company.

(d) Distributability of reserves

Under the Company Law of the Cayman Islands, the funds in the share premium account and the retained earnings account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMBnil (2020: RMB870,674,000). The directors do not recommend the payment of a final dividend (2020: RMBnil) for the year ended 31 December 2021.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. Acquisition of subsidiaries

On 3 December 2021, the Group obtained control of Digital Light Year Technology Co., Limited ("**Digital Light Year**"), which is an investment holding company and its subsidiaries are principally engaged in the provision of cloud gaming, software development, technology consulting services, internet data, digital content production services in the PRC, by acquiring 100% of its interest. Taking control of Digital Light Year will enable the Group to strengthen the business development in the media industry in the PRC and broaden the sources of the Group's revenue. During the year ended 31 December 2021, Digital Light Year contributed revenue of RMBnil and a profit of RMB43,000 to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that consolidated revenue would have been RMB96,109,000 and consolidated loss for the year RMB535,543,000. In determining these pro forma amounts, management have assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2021.

(a) Consideration

The consideration for the acquisition is HK$28,645,000 (equivalent to RMB23,433,000), which was satisfied by the allotment and issuance of 184,810,126 shares of the Company. No contingent consideration was agreed between the Group and the selling shareholder (the "**Vendor**").

(b) Acquisition-related costs

The Group incurred acquisition-related costs of RMB360,000. These costs have been included in "administrative expenses".

(c) Identifiable assets acquired and liabilities assumed

	RMB'000
Non-current assets	
Property, plant and equipment	892
Intangible assets	18,732
Current assets	
Other receivables	6,169
Cash and cash equivalents	6,340
Current liabilities	
Trade and other payables	(2,957)
Lease liabilities	(282)
Non-current liabilities	
Lease liabilities	(409)
Total identifiable net assets acquired	28,485

25. Acquisition of subsidiaries (Continued)

(d) Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

(i) Intangible assets

The cost approach valuation approach was adopted, based on estimates of the relevant costs that would be incurred in the process of the development by the independent valuer.

(ii) Other receivables

The other receivables comprise gross contractual amounts due of RMB6,169,000 which was expected to be collectible at the acquisition date.

(e) Gain from a bargain purchase

	RMB'000
Consideration transferred	23,433
Non-controlling interest	3,810
Fair value of identifiable net assets	(28,485)
Gain from a bargain purchase	(1,242)

Gain from a bargain purchase arose in the acquisition of the subsidiaries was due to the fact that consideration was lower than fair value of identifiable net assets acquired. The consideration was determined after arm's length negotiations between the Group and the Vendor with reference to the unaudited consolidated net asset value of Digital Light Year and its subsidiaries as at 15 November 2021. Gain from a bargain purchase which has been included in "other net income" in the consolidated income statement.

(f) Analysis of cash flow on acquisition

	RMB'000
Cash consideration	–
Cash and cash equivalents acquired	6,340
Net cash inflow	6,340

26. Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group has concentration of credit risk as 23% (2020: 26%) and 85% (2020: 87%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In response to the Covid-19 pandemic, the Group has also been performing more frequent reviews of sales for customers who are severely impacted.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

The outstanding balances of certain customers of the Group from which the Group had individually significant outstanding trade receivables balances due, with gross carrying amount of RMB56,685,000 (2020: RMB4,068,000) in aggregate as at 31 December 2021, were assessed for allowance for credit losses individually. The management assessed the allowance for credit losses for lifetime of these debts by estimating default rate taking into account historical and forward looking information. As at 31 December 2021, allowance for expected credit losses of RMB43,979,000 (2020: RMB4,068,000) was made on the trade receivables due from these customers. During the years ended 31 December 2021, impairment losses on trade receivables due from these customers amounted to RMB39,911,000 (2020: RMB5,646,000) were provided and included in the consolidated income statement. In this regard, the directors of the Company are in the opinion that the provision of loss allowance is sufficient and not excessive.

26. Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

For the remaining debtors, the Group measures loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provide information about the Group's exposure to credit risk and ECLs for trade receivables due from customers other than the abovementioned individually evaluated customers, which are assessed on collective basis using provision matrix as at 31 December 2021:

	2021		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**2.5%**	**54,231**	**1,340**
6 to 12 months past due	**20.9%**	**2,170**	**454**
1 to 2 years past due	**44.0%**	**15,364**	**6,754**
More than 2 years past due	**100.0%**	**1,560**	**1,560**
		73,325	**10,108**

	2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.8%	100,451	796
Less than 3 months past due	5.1%	76,610	3,869
3 to 6 months past due	7.1%	2,059	147
6 to 12 months past due	14.8%	34,901	5,165
1 to 2 years past due	53.5%	5,774	3,091
More than 2 years past due	95.3%	1,160	1,105
		220,955	14,173

26. Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Movement in the loss allowance account in respect of these remaining trade receivables during the year is as follows:

	Lifetime ECL (Not credit Impaired) RMB'000	Lifetime ECL (Credit Impaired) RMB'000	Total RMB'000
Balance at 1 January 2020	527	3,583	4,110
Impairment losses recognised during the year	269	9,794	10,063
Balance at 31 December 2020	796	13,377	14,173
Balance at 1 January 2021	**796**	**13,377**	**14,173**
Impairment losses recognised/(reversed) during the year	**544**	**(4,609)**	**(4,065)**
Balance at 31 December 2021	**1,340**	**8,768**	**10,108**

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB544,000 (2020: RMB269,000);

– increase in days past due over 30 days resulted in an decrease in loss allowance of RMB4,609,000 (2020: increase of RMB9,794,000);

– individual identification of loss allowance resulted in an increase in loss allowance of RMB39,911,000 (2020: RMB5,646,000); and

– written off of loss allowance of RMB1,578,000 in 2020.

As at 31 December 2021, the Group has exposure to credit risk on amount due from a shareholder and amount due from Swift Power included in other receivables with aggregate gross carrying amount of RMB251,687,000 (2020: RMB371,063,000). As at 31 December 2021 and 2020, no provision for expected credit loss on amount due from a shareholder and amount due from Swift Power have been made as the debtors are considered to be high credit rating thus the management of the Group does not expect any significant loss from the non-performance by the debtors. The amounts were fully settled subsequent to the end of the reporting period.

26. Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

As at 31 December 2021, the Group has exposure to credit risk on loan receivables included in other receivables with aggregate gross carrying amount of RMB74,308,000 (2020: RMB17,680,000). The management of the Group considered the probability of default based on the financial position of the borrowers and the economic environment the borrowers operate and concluded that the ECL rate of the loan receivables are assessed to be close to zero and no provision was made as at 31 December 2021 and 2020.

As at 31 December 2021, the Group has exposure to credit risk on the other receivables with aggregate gross carrying amount of RMB243,828,000 (2020: RMB197,200,000), of which RMB84,818,000 (2020: RMB4,911,000) were credit impaired. As part of the Group's credit risk management, the Group assessed that expected credit losses for these other receivables of RMB76,519,000 (2020: RMB4,911,000) were recognised in profit or loss for the year ended 31 December 2021. The management of the Group considers the probability of default based on the financial position of the debtors and the economic environment of the debtors operate.

Movement in the loss allowance account in respect of these other receivables during the year is as follows:

	Lifetime ECL (Not credit Impaired) RMB'000	**Lifetime ECL (Credit Impaired)** RMB'000	**Total** RMB'000
Balance at 1 January 2020	3,851	–	3,851
Impairment losses recognised during the year	–	4,911	4,911
Balance at 31 December 2020	3,851	4,911	8,762
Balance at 1 January 2021	**3,851**	**4,911**	**8,762**
Impairment losses recognised during the year	**–**	**76,519**	**76,519**
Balance at 31 December 2021	**3,851**	**81,430**	**85,281**

26. Financial risk management and fair values (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The steps taken or that will be taken by the Group to respond to possible future liquidity constraints arising from the Covid-19 pandemic and the impact of those steps on the consolidated financial statements include but not limited to the following:

– The Group has raised funds through issuing new stocks and debts;

– The Group is applying for banking facilities to respond to possible future liquidity needs;

– The Group is in negotiation with certain local government to set up mutual funds for supporting the Group's future developments; and

– The Group will continue to pay close attention to its core business and make good use of its resources, together with managing its working capital, with an aim to attain positive and sustainable cash flow from operations.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

26. Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	2021						
	Contractual undiscounted cash outflow						
	Interest rate	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years within 5 years RMB'000	After 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	4.05%-5.35%	44,120	–	–	–	44,120	43,000
Trade creditors, bills payable, other creditors and accrued charges	4.35%	145,282	–	–	–	145,282	145,158
Bonds	8.00%	41,040	–	–	–	41,040	38,227
Other borrowing	12.3%	38,133	–	–	–	38,133	38,133
Other lease liabilities	5.02%	6,274	6,226	8,481	11,400	32,381	26,154
		274,849	6,226	8,481	11,400	300,956	290,672

	2020						
	Contractual undiscounted cash outflow						
	Interest rate	Within 1 year or on demand RMB'000 (Restated)	More than 1 year but within 2 years RMB'000 (Restated)	More than 2 years within 5 years RMB'000 (Restated)	After 5 years RMB'000 (Restated)	Total RMB'000 (Restated)	Carrying amount RMB'000 (Restated)
Bank loans	4.05%-4.76%	37,040	–	–	–	37,040	35,500
Trade creditors, bills payable, other and accrued charges	10%-15%	132,371	–	–	–	132,371	131,876
Convertible bonds – host liability component	21.97%	90,104	–	–	–	90,104	104,759
Bonds	8.00%	39,086	–	–	–	39,086	36,374
Other borrowing	12.3%	38,133	–	–	–	38,133	38,133
Other lease liabilities	5.02%	6,280	1,328	3,653	12,600	23,861	17,715
		343,014	1,328	3,653	12,600	360,595	364,357

As shown in the above analysis, convertible bonds amounting to RMB90,104,000 as at December 2020 were due to be repaid during 2021.

26. Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less bank deposits) at the end of the reporting period.

	2021		2020	
	Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000 (Restated)
Net fixed rate borrowings:				
Lease liabilities	5.02%	26,154	5.02%	17,715
Bank loans	4.05%-5.35%	43,000	4.05%-4.76%	35,500
Bonds	8.00%	38,227	8.00%	36,374
Convertible bonds – host liability component	–	–	21.97%	104,759
Advance from third parties and a director	4.35%-11%	12,850	–	–
Other borrowing	12.3%	38,133	12.3%	38,133
		158,364		232,481
Variable rate borrowing:				
Less: bank deposits	0.30%-0.35%	(35,498)	0.30%-0.35%	(12,351)
Total net interest-bearing borrowings		122,866		220,130

26. Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decrease/increase the Group's loss for the year by approximately RMB148,000 (2020: RMB51,000), and decrease/increase the Group's accumulated losses by approximately RMB148,000 (2020: RMB51,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax and accumulated losses is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2020.

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and other borrowings which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of non-PRC companies comprising the Group into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)			
	2021		2020	
	US$ RMB'000	**HK$ RMB'000**	US$ RMB'000	HK$ RMB'000
Trade and other receivables	**–**	**235,630**	15,961	371,072
Cash and cash equivalents	**116**	**2,796**	7	2,504
Convertible bonds	**–**	**–**	–	(108,055)
Bonds	**–**	**(38,227)**	–	(36,374)
Trade and other payables	**(197)**	**(3,330)**	–	(1,566)
Net exposure arising from recognised assets and liabilities	**(81)**	**196,869**	15,968	227,581

26. Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

The following table indicates the instantaneous change in the Group's loss for the year and accumulated losses and other components of consolidated equity that would arise if foreign exchange rates to which the Group have significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2021		2020	
	US$	**HK$**	US$	HK$
	RMB'000	**RMB'000**	RMB'000	RMB'000
Increase in foreign exchange rates	**5%**	**5%**	5%	5%
Increase/(decrease) in loss for the year	**3**	**(9,844)**	(667)	(11,379)
Decrease in foreign exchange rates	**(5%)**	**(5%)**	(5%)	(5%)
(Decrease)/increase in loss for the year	**(3)**	**9,844**	667	11,379

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss for the year (and consequently equity) measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2020.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives of the Group. As at the end of the reporting period the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 21(b).

26. Financial risk management and fair values (Continued)

(e) Equity price risk (Continued)

At 31 December 2020, it is estimated that an increase/(decrease) of 10% in the Company's own share price (for the derivatives embedded in the convertible bonds), with all other variables held constant, would have decreased/increased the Group's loss for the year and accumulated losses and other components of consolidated equity as follows:

		2020	
		Effect on loss for the year RMB'000	Effect on accumulated losses RMB'000
Change in the relevant equity price risk variable:			
Increase	10%	126	126
Decrease	(10%)	147	147

The sensitivity analysis indicates the instantaneous change in the Group's loss for the year and accumulated losses that would arise assuming that the changes in the Company's own share price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

(f) Fair value measurement

(i) Financial assets and financial liabilities that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

26. Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

***Fair value hierarchy* (Continued)**

The Group has a team headed by the finance manager performing valuations for the financial instruments, including derivatives embedded in convertible bonds which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held to coincide with the reporting dates twice a year.

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets at FVPL				
– unlisted equity investment	**1,870**	**–**	**–**	**1,870**
Derivatives embedded in other borrowing	**2,201**	**–**	**–**	**2,201**

	Fair value at 31 December 2020 RMB'000 (Restated)	Fair value measurements as at 31 December 2020 categorised into Level 1 RMB'000 (Restated)	Level 2 RMB'000 (Restated)	Level 3 RMB'000 (Restated)
Recurring fair value measurements				
Financial assets at FVPL				
– unlisted equity investment	1,870	–	–	1,870
Derivatives embedded in convertible bonds	3,296	–	–	3,296
Derivatives embedded in other borrowing	8,689	–	–	8,689

During the years ended 31 December 2020 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

26. Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
As at 31 December 2021				
Financial assets at FVPL				
– unlisted equity investment	Binomial model	Expected volatility	44%	44%
Derivatives embedded in other borrowing	Binomial model	Expected volatility	44%	44%
As at 31 December 2020				
Financial assets at FVPL				
– unlisted equity investment	Binomial model	Expected volatility	45%	45%
Derivatives embedded in other borrowing	Binomial model	Expected volatility	45%	45%
Derivatives embedded in convertible bonds	Black Scholes model	Expected volatility	22% to 83%	47%

As at 31 December 2021 and 2020, the fair value of the derivatives embedded in other borrowing is determined using Binomial model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility.

As at 31 December 2020, the fair value of the derivatives embedded in the convertible bonds is determined using Black Scholes model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility.

As at 31 December 2021, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would not have material impact on the Group's loss for the year (2020: no material impact on the Group's loss).

26. Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Information about Level 3 fair value measurements **(Continued)**

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Financial assets at FVPL		
– Unlisted equity investment in a fund		
At 1 January	1,870	1,900
Change in fair value recognised in profit or loss for the year	–	(30)
At 31 December	1,870	1,870
Derivatives embedded in other borrowing:		
At 1 January	8,689	9,596
Change in fair value recognised in profit or loss for the year	(6,488)	(907)
At 31 December	2,201	8,689
Derivatives embedded in convertible bonds:		
At 1 January	3,296	120,500
Change in fair value recognised in profit or loss for the year	(311)	(113,266)
Redemption	(2,809)	–
Exchange adjustments	(176)	(3,938)
At 31 December	–	3,296
Total gains for the year included in profit or loss	(6,975)	(118,141)

The gain or loss arising from the change in fair value of financial assets at FVPL and the remeasurement of the derivative liability component of the convertible bonds are presented in "other net income" in the consolidated statement of profit or loss.

26. Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

(ii) Financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

27. Commitments

Capital commitments outstanding at 31 December 2021 not provided for in the consolidated financial statements were as follows:

	2021 **RMB'000**	2020 RMB'000
Contracted for		
– Acquiring services relating to production of drama series and films	**106,231**	76,476

28. Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2021 **RMB'000**	2020 RMB'000
Short-term employee benefits	**4,228**	5,433
Post-employment benefits	**250**	31
	4,478	5,464

Total remuneration is disclosed in "staff costs" (see note 5(b)).

28. Material related party transactions (Continued)

(b) Outstanding balances with related parties

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

	Notes	**2021 RMB'000**	2020 RMB'000
Amount due from a shareholder of the Company	*(i)*	**131,856**	249,218
Amount due to a shareholder of the Company	*(ii)*	**38,227**	36,374
Amount due to a director	*(iii)*	**3,013**	–

(i) The amount due from a shareholder is included in "trade and other receivables" (note 17).

(ii) The amount due to a shareholder is included in "other borrowings" (note 21).

(iii) The amount due to a director is included in "trade and other payables" (note 19).

(c) Material transactions with related parties

The Group has entered into transactions with related parties for the year ended 31 December 2021 and 2020 as follows:

Related party	**Nature of transaction**	**2021 RMB'000**	2020 RMB'000
A director	Interest expense	**62**	–

29. Company-level statement of financial position

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Investments in subsidiaries	*14*	–	500,873
Current assets			
Amounts due from subsidiaries		23,433	650,884
Other receivables		289,915	169,300
Cash and bank		2,453	2,247
		315,801	822,431
Current liabilities			
Amounts due to subsidiaries		86,032	67,061
Other payables		4,734	3,826
Other borrowings		38,227	144,429
		128,993	215,316
Net current assets		186,808	607,115
Net assets		186,808	1,107,988
Capital and reserves			
Share capital	*24*	137,801	90,578
Reserves		49,007	1,017,410
Total equity		186,808	1,107,988

Approved and authorised for issue by the board of directors on 14 June 2023.

Liu Dong
Director

He Han
Director

30. Impact of the COVID-19 pandemic

The Covid-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operation and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include: reassessing changes to the customers' preferences on the types of drama series to be broadcasted, assessing the readiness of the production units and revisiting the progress of self-produced drama series, negotiating with customers on possible delay in delivery timetables, increase monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on payment extensions.

The Covid-19 pandemic did have a significant impact on the Group's operation and capital position, but did not change the fundamentals of the Group's ability to continue as a going concern. The Group now has strengthened the recovery of receivables, increased the issuance of drama series and films, and adjusted the drama and films reserves. The Group will keep the contingency measures under review as the situation evolves.

31. Non-adjusting events after the reporting period

On 27 January 2022, the board of directors of the Company resolved to grant share options to certain participants of the New Share Option Scheme (the "**Grantees**") to subscribe for a total of 144,440,000 ordinary shares with a nominal value of US$0.01 each of the Company, which represent approximately 6.71% of the issued share capital of the Company on 27 January 2022. The share options were granted to the Grantees on 27 January 2022 and all the share options were vested immediately on the date of grant.

For details, please refer to the announcement of the Company dated 27 January 2022.

On 5 July 2022, Khorgos Starrise Qicheng Media Co., Ltd（霍爾果斯星宏啟程 傳媒有限公司）, a non wholly-owned subsidiary of the Company (the "**Target Company**"), 嘉興首建投五號投資合夥企業（有限合夥）(Jiaxing Shou Jian Tou No. 5 Investment Partnership (Limited Partnership)) (the "**Seller A**"), Beijing Starrise Media Co., Ltd.（北京星宏文化傳媒有限公司）, a wholly-owned subsidiary of the Company (the "**Purchaser**"), the Company and Beijing Xinghong Culture Development Co., Ltd.（北京星宏文化發展有限公司）, a PRC company controlled by the Group by way of contractual arrangements (the "**Guarantor**") entered into the repurchase agreement (the "**Repurchase Agreement A**") in relation to the repurchase of approximately 39% equity interest in the Target Company in the consideration of approximately RMB43.71 million. Until the approval date of these consolidated financial statements, the transaction has not been completed.

On 5 July 2022, Target Company, Seller A, 北境企業管理諮詢（寧波）有限公司 (Bei Jing Corporate Management Consultation (Ningbo) Co., Ltd) (the "**Seller B**"), (collectively, "**Sellers**"), Purchaser, the Company and the Guarantor entered into the equity transfer agreement in relation to the repurchase of approximately 10% of the unpaid up equity interest in the Target Company in the consideration of RMBnil. The transaction was completed on 22 July 2022. No gain or loss was arising from the transaction.

31. Non-adjusting events after the reporting period (Continued)

On 5 June 2023, the Company, the Purchaser, Seller A, the Target Company and the Guarantor entered into a supplemental repurchase agreement (the "**Supplemental Repurchase Agreement**") to revise certain terms and conditions of the Repurchase Agreement A. The consideration of the Repurchase Agreement A is revised from approximately RMB43.71 million to approximately RMB47.26 million. The increase in the consideration of approximately RMB3.55 million represents the delay interest (the "**Delay Interest**") in the amount of approximately RMB4.66 million on the repurchase balance of RMB37.93 million (the "**Repurchase Balance**") at the rate of 12.3% per annum for a period of 1 year from 19 November 2022 to 19 November 2023 minus approximately RMB1.11 million which the Purchaser has already paid.

The Purchaser shall pay (a) the amount of approximately RMB4.67 million to Seller A by 30 June 2023; (b) the monthly interest by the end of each month, in the amount of RMB600,000 from July 2023; and (c) the repurchase balance of approximately RMB37.93 million and the outstanding Delay Interest in the amount of approximately RMB1.67 million on 19 November 2023.

If the Purchaser fails to fully repay the Repurchase Balance and Delayed Interest by 19 November 2023, the Purchaser shall pay a late fee to Seller A for the overdue payment (at a daily interest rate of 0.05%) until the full amount of the overdue payment and late fees have been paid.

For details, please refer to the announcements of the Company dated 5 July 2022, 12 July 2022 and 5 June 2023.

Except for the events described above, until the approval date of these consolidated financial statements, there is no significant event after the reporting period that need to be disclosed.

32. Comparative figures

In addition to the restatements described in note 1(aa) to the consolidated financial statements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed in 2021.

33. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to International Interpretation 5 (2020)	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020	1 January 2022
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.