Maoyan Entertainment
貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1896

ANNUAL REPORT
2021

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Zheng Zhihao *(Chief Executive Officer)*

Non-executive Directors

Mr. Wang Changtian *(Chairman)*
Ms. Li Xiaoping
Ms. Wang Jian
Mr. Cheng Wu
Mr. Chen Shaohui
Mr. Lin Ning
Mr. Tang Lichun, Troy

Independent Non-executive Directors

Mr. Wang Hua
Mr. Chan Charles Sheung Wai
Mr. Yin Hong
Ms. Liu Lin

AUDIT COMMITTEE

Mr. Chan Charles Sheung Wai *(Chairman)*
Mr. Wang Hua
Ms. Liu Lin

NOMINATION COMMITTEE

Mr. Wang Hua *(Chairman)*
Mr. Chan Charles Sheung Wai
Mr. Zheng Zhihao

REMUNERATION COMMITTEE

Mr. Wang Hua *(Chairman)*
Ms. Liu Lin
Mr. Zheng Zhihao

JOINT COMPANY SECRETARIES

Ms. Zheng Xia
Mr. Cheng Ching Kit

AUTHORIZED REPRESENTATIVES

Mr. Zheng Zhihao
Mr. Cheng Ching Kit

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 3 Building, Yonghe Hangxing Garden
No. 11 Hepingli East Street
Dongcheng District
Beijing, PRC

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISORS

As to Hong Kong law:
Clifford Chance

As to Cayman Islands law:
Walkers (Hong Kong)

As to the law of the People's Republic of China:
Commerce & Finance Law Offices

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL BANKERS

China Merchants Bank, Beijing Branch
Ping An Bank, Garden Road Sub-Branch

STOCK CODE

1896

COMPANY'S WEBSITE

www.maoyan.com

CEO's Statement

I am pleased to present our annual results for the year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

Our revenue increased to RMB3,323.4 million in the full year of 2021 from RMB1,365.7 million in the full year of 2020. Our gross profit increased to RMB1,842.2 million in the full year of 2021 from RMB537.3 million in the full year of 2020. Our profit for the full year of 2021 was RMB368.5 million whereas our loss for the full year of 2020 was RMB646.3 million. Our adjusted EBITDA for the full year of 2021 was RMB742.7 million, increased from adjusted LBITDA of RMB360.3 million in the full year of 2020, whereas our adjusted net profit[(Note)] was RMB540.0 million in the full year of 2021, increased from adjusted net loss[(Note)] of RMB435.6 million in the full year of 2020.

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

ENTERTAINMENT CONTENT SERVICES

As a leading promoter and distributor of domestic movies, as well as a premier movie producer and self-developer in China, we have been proactively working with the industry and contributing to the production, promotion and distribution of various genres of domestic movies, including patriotic movies. By integrating our extensive experiences and technical capabilities, we have been able to strengthen our effective and precise services capabilities for movie promotion and distribution, as well as to constantly improve our movie selection criteria, and capabilities of producing more high-quality movies. In 2021, we achieved breakthrough growth in our entertainment content services business, with ever-better performance in both the quantity and quality of the movies we participated in, compared to previous years. In particular:

- We continued to cultivate our self-production capabilities for movies and further deepen our own IP reserves. These efforts helped us achieve significant breakthroughs as an independent self-developer and a lead distributor through enhanced premier content development and production capabilities. In 2021, our self-produced movies *On Your Mark* (了不起的老爸) and *Be Somebody* (揚名立萬) were released, both of which performed excellently. *On Your Mark* (了不起的老爸) was nominated to the 24th Shanghai International Film Festival, and *Be Somebody* (揚名立萬) consecutively topped the daily-box office since its release in November, while ranking Number One on the box-office chart for that month. The gross box office of RMB920 million and good reputation achieved by *Be Somebody* (揚名立萬) made it the dark horse for the annual box-office chart.

Note: We defined adjusted net profit/(loss) as net profit/(loss) for the year adjusted by adding back share-based compensation and amortization of intangible assets resulting from business combinations.

- Moreover, by fully leveraging our promotion and distribution capabilities, we were committed to providing outstanding services for the movies, enabling them to broaden their audience reach, as well as to achieve or even surpass their box-office forecasts and reputational expectations. With these objectives in mind, we participated in 18 domestic movies by acting as the lead distributor in 2021, some of which achieved outstanding performances with an overall box office of over RMB8.6 billion. For example, *Hi, Mom* (你好，李煥英), for which we acted as both producer and guaranteed distributor, generated more than RMB5.4 billion at the box office, ranking as the third highest in China's domestic movie box-office history; *Raging Fire* (怒火•重案) recorded a gross box office of more than RMB1.3 billion, thus becoming the champion for the Chinese-action movie box-office results for the year; and *1921*, as one of the key movies in celebrating the centenary of the founding of the Chinese Communist Party, also performed well at the box office, becoming the monthly box-office champion for historical movie. These movies were also recognized with a number of awards and nominations across The China Golden Rooster Awards (中國電影金鷄獎), the Hong Kong Film Awards and the Macau International Movie Festival. Furthermore, we also provided comprehensive promotion and distribution services for a number of other movies, including but not limited to Dear Tutu: *Operation T-Rex* (大耳朵圖圖之霸王龍在行動) and *Knock Knock* (不速來客).

- Throughout 2021, we covered a wide range of blockbusters during the major seasons throughout the year, and we also participated in self-production/promotion/distribution for 51 released domestic movies, which included 9 out of the top 10 on the 2021 domestic box-office chart. These movies achieved a cumulative gross box office of approximately RMB26.0 billion, accounting for approximately 65% of the gross box office of all domestic movies in the same period. Examples include *A Little Red Flower* (送你一朵小紅花) and *Warm Hug* (溫暖的抱抱), for both of which we participated in as the producer/distributor, ranking first and second respectively at the box office during the New Year's Day holiday season; *Chinese Doctors* (中國醫生) and *White Snake 2: Green Snake* (白蛇2：青蛇劫起), for which we participated in as the producer/distributor, entered the top three at the box office during the summer vacation; and *Cloudy Mountain* (峰爆), *Sister* (我的姐姐), *My country, My Parents* (我和我的父輩), *the Cliff Walkers* (懸崖之上) and *Fireflies in the Sun* (誤殺2), for which we participated in as producer/distributor, also achieved excellent box-office performances, being either first or second place in their respective release seasons.

Moving into 2022, we will further deepen and improve our capabilities in content development, movie production, promotion and distribution. We will also strive to expand the breadth and depth of the movies we participate in, as well as to continue to enrich our high-quality content library. All these efforts will combine to drive our sustainable growth in the entertainment content services business.

CEO's Statement

- As of the date of this report, a number of movies we participated in have already released in early 2022, and have performed excellently both at the box office and reputation. Among these movies, *Too Cool To Kill* (這個殺手不太冷靜), for which we acted as the co-producer and the lead distributor, ranked second in terms of box office during the 2022 Spring Festival holiday, and achieved a box office of more than RMB2.6 billion as of this report date; *G storm* (反貪風暴5), for which we acted as the co-producer and the lead distributor, ranked second in terms of box office in 2022 New Year's Day holiday; and *Me And My Winter Games* (我們的冬奧), for which we acted as the lead distributor, was the first animated mascot film in the history of the Olympic Games, and has received a large number of favorable reviews since its release in tandem with the success of the Beijing Winter Olympics.

- We have been proactively working with all parties across the industry to continue to enrich our library of quality movies. Currently, there are over 50 unreleased movies we have participated in and more than 20 self-produced projects at various stages of development in our pipeline, including *Victims* (被害人), *The Procurator* (檢察風雲), *Give Me Five* (哥，你好), *Papa* (學爸), *High Forces* (危機航線), *The Goldfinger* (金手指), *Life Meeting* (人生會議), *The New Once a Thief* (新縱橫四海) and more.

In addition to cinema movies, we consistently strengthened our efforts in both TV dramas and high-quality online movies in 2021. For example, the TV legal dramas, which we developed and produced, entitled *Out of Court · The Last Straw* (庭外•落水者) and *Out of Court · Blinding Elephant* (庭外•盲區), have both completed filming and will be broadcasted exclusively on Youku in the near future. *The King of BBQ* (燒烤之王), the first online movie that we produced, promoted and distributed has been broadcasted exclusively on Tencent Video, achieving outstanding performances in both reputation and box office. In addition, there will be numerous more TV dramas and other online movies we participated to be released in succession, including but not limited to *Genius Go Talent* (天才棋士), *Beauty in Truth* (女為悅己者), *Love Me If You Dare* (服不服), *Heal Me* (我還沒摁住她), *Legend of Dan Zhu* (問丹朱) and *King of Hot GUO* (火鍋之王).

CEO's Statement

In addition to the above, we also made remarkable progress in improving our promotion and distribution capabilities. As a top-notch domestic movie distributor and a leading pan-entertainment marketing services provider, we have established a unique intelligent promotion and distribution system. This forms a product matrix that provides comprehensive and diversified services for the whole industry. We will continue to upgrade these services and products through continuous innovation to further solidify their industry's leading service coverage. For example:

- Our indexes including "real-time wish-list gathering" (實時想看) and "real-time pre-sale" (實時預售), have been recognized as industry standard indicators with increasing high industry authority;

- Our "Cloud Block Booking" (雲包場) has successfully served hundreds of movies, and our "Movie Market Microscope Pro" (影市顯微鏡Pro) designed for the attendance and scheduling analysis, has been widely recognized by the market since its launch in December;

- Our newly launched industry-focused tools providing refined and intelligent promotion and distribution services, including scheduling analysis, scheduling target decomposition and scheduling forecasts. These together with our self-developed intelligent systems, have combined to realize the monitoring and notification pushing on an hourly basis for data and event dynamics of a number of movies, such as *Raging Fire* (怒火•重案), *Be Somebody* (揚名立萬) and *Too Cool To Kill* (這個殺手不太冷靜), further demonstrating our professional and innovative capabilities in promotion and distribution services;

- While we have been gradually modularizing and standardizing our services and functions in promotion and distribution, we have also built dedicated professional teams, including the Alpha Short Video Team (阿爾法短視頻團隊) and the Wonder Studio (奇妙工作室), who have already provided premier promotion and distribution services for a number of movies, such as *Endgame* (人潮洶湧), *Godzilla vs Kong* (哥斯拉大戰金剛), *No Time to Die* (007:無瑕赴死) and *Snipers* (狙擊手).

CEO's Statement

ONLINE ENTERTAINMENT TICKETING SERVICES

In 2021, China's gross box office reached RMB47.258 billion, continuing to lead the global box-office market. During the year, the domestic movies collectively recorded a box office of RMB39.927 billion, accounting for 84.5% of China's gross box office, representing a recovery rate of over 90%, compared to that of 2019. Specifically, the box-office performances during major seasons of 2021, such as the New Year's Day, Chinese Spring Festival, Qingming Festival, Labor Day holidays and Christmas, all surpassed those in the same period of 2019, demonstrating both the resilience and huge potential of the Chinese movie market.

As a leading movie ticketing service provider, we have been proactively addressing the needs of the whole industry with high quality services and products. At the same time, we have always been committed to constructively contributing to the industry's recovery and development by strengthening our services and cooperating with all partners across the entire industry. In 2021, we provided the audiences with premier ticketing services as the general ticketing agents for the 11th Beijing International Film Festival (第11屆北京國際電影節) and the 16th Changchun Film Festival in China (第16屆中國長春電影節).

Our live entertainment business continued to grow and develop in 2021. We extended our coverage to serve a more diverse range of live entertainment projects through a constantly upgraded one-stop ticketing solution, which not only increased consumption vitality but also improved operational efficiency. In terms of ticketing services, we continued to provide services for many high-quality performances and events of various genres, such as the MIDI Festival 2021 (2021迷笛音樂節), Maksim Classical Crossover Piano Concert, Joker Xue's "Tian Wai Lai Wu" Concert Tour (薛之謙"天外來物"巡回演唱會), Li Ronghao's "Sparrow" tour (李榮浩"麻雀"巡回演唱會), and the King Pro League 2021 (2021年王者榮耀職業聯賽). Moreover, we have also enhanced our efforts in exploration and innovation on emerging modern entertainment events. For example, projects that we invested and developed, such as the immersive fine food interactive drama "The Grand Expedition" (玩味探險家) and the immersive escape room "Paramount" (百樂門－逆熵紀元), all performed well in terms of both reputation and box office.

ADVERTISING SERVICES AND OTHERS

In 2021, we proactively established and developed our promotion and marketing mechanisms and capabilities for both entertainment content and various brands. Through these efforts, we were able to integrate our resources to cover full entertainment scenarios, both online and offline, and devoted ourselves to delivering high-quality marketing and promotion services. During the Reporting Period, we executed advertising campaigns for various movies, and provided effective advertisement placements and customized marketing solutions for a large number of brand clients such as JD.COM, Douyin, Kuaishou, Chanel, L'Oreal, LEVIN (雷凌) and ALLION (亞洲獅).

In addition, we have further strengthened our capabilities to serve the whole industry. Our Maoyan Research Institute continuously serve the whole industry with comprehensive data services and market development trends research by regularly publishing industry data reports, covering all major seasons, as well as the thematic research reports on movie genres, including animation and Chinese action movies, etc. Moreover, through our test screening research services across the full practice of production, promotion and distribution for movies and TV dramas, we are able to provide our supports from all perspectives. Throughout 2021, we have served more than 50 movies, including approximately more than 30% of the domestic movies with a box office of over RMB100 million each, as well as many imported titles.

CEO's Statement

OUTLOOK

In 2021, China's movie industry strived to overcome the adverse impacts of the ongoing recurrence of the COVID-19 pandemic. The China's annual gross box office recovered to 74% of its pre-pandemic level, and continued to stay at Number One in the world in terms of both annual box office and total number of movie screens. During the 2022 Spring Festival holiday(from 31 January to 6 February), the national box office of movies in urban cinemas reached RMB6.035 billion, exceeding the level of the same period in 2019 and ranking second in China's movie history. All of these reflected the strong resilience and vigorous vitality of China's movie market. On 9 November 2021, China Film Administration (國家電影局) released the "14th Five-Year Plan for the Development of Chinese Films" (《"十四五"中國電影發展規劃》), which aims to raise the total number of screens to 100,000 screens by 2025 and guides the way to fulfilling the Vision 2035 goal of building China into a major cinematic player. The 14th Five-Year Plan not only presents a clear and noble direction for the future development of the country's film industry, but also sets up a goal for filmmakers to strive for, leading to the strengthened industry's confidence in responding to the increasing expectations of audiences with more blockbusters.

Looking forward, we will continue to devote ourselves to China's pan-entertainment industry. By adhering to our core development strategy "Technology+Pan-Entertainment", we will continue to produce premier contents with positive values to tell China stories well and to strengthen our business synergies. We will also strive to create more values for the pan-entertainment industry and the society, as well as to progress towards the inspiring goal of building China into a major cinematic player. Meanwhile, we will continuously improve our competitiveness and innovation capacities in accordance with the core requirements of the industry and our company's own development. We are committed to working together and progressing steadily with our partners to embrace the bright future of the industry.

Last but not least, we would like to express our sincere gratitude to all of our colleagues, shareholders and industry partners for their trust and companionship. Let us forge ahead together and generate greater values for the industry!

Executive Director and Chief Executive Officer
ZHENG Zhihao

Hong Kong
March 24, 2022

Management Discussion and Analysis

2021 REVIEW

	Year ended December 31,			
	2021		2020	
	RMB million	**%**	RMB million	%
Revenue	**3,323.4**	**100.0**	1,365.7	100.0
Cost of revenue	**(1,481.2)**	**(44.6)**	(828.4)	(60.7)
Gross profit	**1,842.2**	**55.4**	537.3	39.3
Selling and marketing expenses	**(672.5)**	**(20.2)**	(485.8)	(35.6)
General and administrative expenses	**(360.2)**	**(10.8)**	(353.6)	(25.9)
Net impairment losses on financial assets	**(194.0)**	**(5.9)**	(418.4)	30.6
Net impairment losses on non-financial assets	**(113.5)**	**(3.4)**	–	–
Other income	**23.3**	**0.7**	130.8	9.6
Other gains/(losses), net	**13.0**	**0.4**	(14.5)	(1.1)
Operating profit/(loss)	**538.3**	**16.2**	(604.2)	(44.3)
Finance income	**28.2**	**0.8**	15.9	1.2
Finance costs	**(31.3)**	**(0.9)**	(37.8)	(2.8)
Finance costs, net	**(3.1)**	**(0.1)**	(21.9)	(1.6)
Share of losses of investments accounted for using equity method	**(0.4)**	**(0.0)**	(2.5)	(0.2)
Profit/(loss) before income tax	**534.8**	**16.1**	(628.6)	(46.1)
Income tax expenses	**(166.3)**	**(5.0)**	(17.7)	(1.3)
Profit/(loss) for the year	**368.5**	**11.1**	(646.3)	(47.4)
Non-IFRS Measures:				
EBITDA/(LBITDA)	**709.3**	**21.3**	(432.9)	(31.7)
Adjusted EBITDA/(LBITDA)	**742.7**	**22.3**	(360.3)	(26.4)
Adjusted net profit/(loss) *(Note)*	**540.0**	**16.2**	(435.6)	(31.9)

Note: We defined adjusted net profit/(loss) as net profit/(loss) for the year adjusted by adding back share-based compensation, and amortization of intangible assets resulting from business combinations.

Management Discussion and Analysis

Revenue

Our revenue increased by 143.3% to RMB3,323.4 million in 2021 from RMB1,365.7 million in 2020. The increase was primarily a result of the increase in the revenue from online entertainment ticketing services and entertainment content services driven by various factors, including the normalization of domestic epidemic control and the joint efforts of all industry participants, the significant recovery of the Chinese movie market and great box office performances. The following table sets forth our revenues by service for the years ended December 31, 2021 and 2020.

	Year ended December 31,			
	2021		2020	
	RMB million	**%**	RMB million	%
Revenue				
Online entertainment ticketing services	**1,713.7**	**51.6**	756.5	55.4
Entertainment content services *(Note)*	**1,356.5**	**40.8**	353.3	25.9
Advertising services and others	**253.2**	**7.6**	255.9	18.7
Total	**3,323.4**	**100.0**	1,365.7	100.0

Note: This amount included fair value loss on the Group's investment in movie and TV series amounting to RMB87.6 million and RMB27.5 million for the year ended December 31, 2021 and December 31, 2020.

Online Entertainment Ticketing Services

Revenue from our online entertainment ticketing business increased by 126.5% to RMB1,713.7 million in 2021 from RMB756.5 million in 2020.The gross box office in China in 2021 has increased significantly compared with 2020 due to the fact that more theaters in China had resumed operations since the second half of 2020.

Entertainment Content Services

Revenue from our entertainment content services increased by 284.0% to RMB1,356.5 million in 2021 from RMB353.3 million in 2020. Such increase was mainly due to the significant improvement in the quantity and quality of the film projects that the Group participated in during the Reporting Period. In 2021, the Group made significant progress in the development, investment, promotion and distribution of film and television and entertainment contents and some of the film and television projects that the Group participated in performed well. For example, the movie "Hi, Mom (你好，李煥英)", of which the Group acted as the producer and lead distributor, recorded a box office of RMB5.4 billion and the movie "Be Somebody (揚名立萬)", of which the Group acted as the producer and lead distributor, recorded a box office of RMB920 million. In addition, other related films in which we participated, such as "Raging Fire (怒火•重案)" and "1921", also recorded good box office.

Advertising Services and Others

Revenue from our advertising services and others decreased by 1.1% to RMB253.2 million in 2021 from RMB255.9 million in 2020, which was mainly due to the decrease in revenues from others.

Management Discussion and Analysis

Cost of Revenue

Our cost of revenue increased by 78.8% to RMB1,481.2 million in 2021 from RMB828.4 million in 2020. The increase in our cost of revenue was mainly due to an increase in the cost of ticketing system (which was in line with the increase in the revenue of our online movie ticketing service), and the content production cost and content distribution and promotion cost (which was in line with the increase in the revenue of our entertainment content services).

The following table sets forth our cost of revenue by amount, as a percentage of total cost of revenue and as a percentage of total revenues for the years indicated:

	Year ended December 31					
	2021			2020		
	RMB million	**% of cost**	**% of revenue**	RMB million	% of cost	% of revenue
Ticketing system cost	**418.8**	**28.3**	**12.6**	144.9	17.5	10.6
Internet infrastructure cost	**183.0**	**12.4**	**5.5**	130.7	15.8	9.6
Content distribution and promotion cost	**386.6**	**26.1**	**11.6**	188.7	22.8	13.8
Content production cost	**258.7**	**17.5**	**7.8**	152.4	18.4	11.2
Amortization of intangible assets	**137.8**	**9.3**	**4.1**	137.8	16.6	10.1
Depreciation of property, plant and equipment	**11.5**	**0.8**	**0.3**	8.4	1.0	0.6
Other expenses	**84.8**	**5.6**	**2.7**	65.5	7.9	4.8
Total	**1,481.2**	**100.0**	**44.6**	828.4	100.0	60.7

Gross Profit and Gross Margin

Our gross profit increased by RMB1,304.9 million, or 242.9%, to RMB1,842.2 million in 2021 from RMB537.3 million in 2020, and our gross margin was 39.3% and 55.4% in 2020 and 2021, respectively. The changes in our gross profit and gross margin were mainly due to a significant increase in our revenue resulting from improvement of the domestic film market with COVID-19 under effective control, while the fixed cost in our cost of revenue (other expenses such as Internet infrastructure cost and amortization of intangible assets) did not increase at the same proportion accordingly.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 38.4% to RMB672.5 million in 2021 from RMB485.8 million in 2020, primarily due to the increase in daily operation marketing expenses as a result of the effective control of the pandemic.

General and Administrative Expenses

Our general and administrative expenses increased by 1.9% to RMB360.2 million in 2021 from RMB353.6 million in 2020, primarily due to the increase in the expenses for the purpose of research and development.

Net Impairment Loss of Financial and Non-Financial Assets

We recorded net impairment loss of financial and non-financial assets of RMB307.5 million in 2021 (2020: RMB418.4 million), comprising impairment loss on financial assets of RMB194.0 million (2020:RMB418.4 million), including RMB54.1 million (2020: RMB121.0 million) on accounts receivable, and RMB139.9 million (2020: RMB297.4 million) on other receivables, respectively, and impairment loss on non-financial assets of RMB113.5 million (2020: nil) on prepayments. The overall impact of the COVID-19 pandemic on the macroeconomic conditions and the entertainment industry of the PRC has resulted in the suspension of theatres, the postponement or cancellation of performances, and the suspension or postponement of film and television projects. At the same time, following the introduction of administrative measures for the performing arts industry (such as the Notice on Emphasizing the Management and Regulation of Entertainment Programs and Related Personnel (《關於進一步加強文藝節目及其人員管理的通知》issued by the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局) (the "NRTA") on September 2, 2021) in the second half of 2021, film and television-related project establishment and subject matters are subject to more stringent reviews.

Management Discussion and Analysis

For accounts receivable, the recognition of impairment loss of RMB54.1 million during the year ended 31 December 2021 was primarily attributable to the increase of total gross carrying amount of accounts receivable amounting to approximately RMB1,109 million as at 31 December 2021 (as at 31 December 2020: RMB492 million), which was primarily attributable to the accounts receivable balances of RMB591 million generated from certain movies that the Company participated in and were exhibited in 2021 with outstanding performances at the box office. In addition, the Group slightly adjusted upward the expected loss rates to each aging bucket as at 31 December 2021 in light of the aforementioned impact of COVID-19 pandemic on macro-economy, the PRC entertainment industry and the relevant companies.

For other receivables, the recognition of impairment loss of RMB139.9 million during the year ended 31 December 2021 was primarily attributable to the increase in expected credit loss rates for other receivables catergorised as credit-impaired (i.e. "stage 3", which means being past due for more than 90 days) under the expected credit loss model, from 70.99% as at 31 December 2020 to 99.61% as at 31 December 2021, while the gross carrying amount of RMB436 million as at 31 December 2021 slightly increased as compared to RMB412 million as at 31 December 2020. Due to the similar COVID-19 pandemic impact to the macro-economy and entertainment industry mentioned in the accounts receivable above, and after the re-assessment of individual other receivable catergorised as "stage 3" under the expected credit loss model, the overall expected credit loss rate for other receivables caterorised as "stage 3" has been adjusted from 70.99% as at 31 December 2020 to 99.61% as at 31 December 2021.

For prepayments, the recognition of impairment loss of RMB113.5 million during the year ended 31 December 2021 was primarily attributable to the impairment of prepayments for investments and rights in several movies and TV series with distribution and promotion services. These prepayments are non-financial assets that should be tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As a result of COVID-19 pandemic impact to the macro-economy and entertainment industry COVID-19 pandemic and the more stringent review on film and television-related subject matter in the second half of 2021, these movies and TV series were subject to unfavourable circumstances including but not limited to major actors of certain projects being replaced, certain subject matters subject to the risk of rejection, and the deterioration of financial and operational position of the business partners whom the Group worked with on certain of these projects. Based on these circumstances, the Group further assessed the probability of non-performance (i.e. the movies or TV series not able to be exhibited) and made impairment provision of RMB113.5 million based on the expected recoverable amount estimated by the directors.

Other Income and Other Gains/(Losses)

We had other income and net other gains of RMB36.3 million in 2021, compared to other income and net other losses of RMB116.3 million in 2020, primarily due to the decrease in the government subsidies received in 2021 compared with 2020.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit was RMB538.3 million in 2021, compared to an operating loss of RMB604.2 million in 2020.

Finance Costs, Net

Our net finance costs decreased to RMB3.1 million in 2021 from RMB21.9 million in 2020, primarily due to the improvement of fund management efficiency, which in turn resulted in an increase in finance income and a decrease in finance costs.

Income Tax Expenses

We had income tax expenses of RMB166.3 million in 2021, compared to the income tax expenses of RMB17.7 million in 2020. This was primarily due to our overall improved profitability.

Profit/(Loss) for the Year

As a result of the foregoing, our profit for the year was RMB368.5 million in 2021, compared to loss for the year of RMB646.3 million in 2020.

Non-IFRS Financial Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA/(LBITDA), adjusted EBITDA/(LBITDA) and adjusted net profit/(loss) as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures, which have excluded certain effects of one-off or non cash projects and M&A transactions for the previous years, facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the EBITDA/(LBITDA), adjusted EBITDA/(LBITDA) and adjusted net profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Management Discussion and Analysis

Adjusted Net Profit/(Loss), EBITDA/(LBITDA) and Adjusted EBITDA/(LBITDA)

The following tables reconcile our adjusted net profit/(loss) and EBITDA/(LBITDA) and adjusted EBITDA/(LBITDA) for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended December 31,	
	2021	2020
	RMB million	RMB million
Reconciliation of net profit/(loss) to adjusted net profit/(loss)		
Net profit/(loss) for the year	**368.5**	(646.3)
Add:		
Share-based compensation	**33.4**	72.6
Amortization of intangible assets resulting from business combinations	**138.1**	138.1
Adjusted net profit/(loss)(Note)	**540.0**	(435.6)

Note: We defined adjusted net profit/(loss) as net profit/(loss) for the year adjusted by adding back share-based compensation and amortization of intangible assets resulting from business combinations.

	Year ended December 31,	
	2021	2020
	RMB	RMB
	million	million
Reconciliation of operating profit/(loss) to EBITDA/(LBITDA) and adjusted EBITDA/(LBITDA)		
Operating profit/(loss) for the year	**538.3**	(604.2)
Add:		
Depreciation of property, plant and equipment	**17.0**	16.5
Amortization of intangible assets	**140.3**	141.1
Depreciation of right-of-use assets	**13.7**	13.7
EBITDA/(LBITDA) *(Note)*	**709.3**	(432.9)
Add:		
Share-based compensation	**33.4**	72.6
Adjusted EBITDA/(LBITDA) *(Note)*	**742.7**	(360.3)

OTHER FINANCIAL DATA AND INFORMATION

Capital Structure

The Company continued to maintain a healthy and sound financial position. Our total assets increased from RMB10,608.5 million as of December 31, 2020 to RMB11,028.3 million as of December 31, 2021, whilst our total liabilities increased from RMB2,985.5 million as of December 31, 2020 to RMB3,040.7 million as of December 31, 2021. Our liabilities-to-assets ratio decreased from 28.1% in 2020 to 27.6% in 2021.

As of December 31, 2021, we pledged bank deposits of RMB23.6 million as securities for bank borrowings.

Note: We defined EBITDA/(LBITDA) as operating profit/(loss) for the year adjusted for depreciation and amortization expenses. We add back share-based compensation to EBITDA/(LBITDA) to derive adjusted EBITDA/(LBITDA).

Management Discussion and Analysis

Liquidity, Financial Resources, and Gearing

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, equity and debt financing. We adopt prudent treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, our treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Renminbi or US dollars. Our liquidity and financing requirements are reviewed regularly. We will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As of December 31, 2021, we had cash and cash equivalents and other forms of bank deposits of RMB2,593.8 million, which were predominantly denominated in RMB and US dollars. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the global offering of the Company.

As of December 31, 2021, our total borrowings were approximately RMB512.5 million, which were all bank borrowings denominated in RMB. The following table sets forth further details of our banking borrowings as of December 31, 2021:

	RMB million	Interest rate
Guaranteed	383.5	3.55%~4.00%
Unsecured	70.0	3.85%
Secured	59.0	2.36%
Total	**512.5**	**N/A**

As of December 31, 2021, we had unutilized banking facilities of RMB522.9 million.

As of December 31, 2021, we did not have any significant contingent liabilities.

We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, net of cash and cash equivalent, restricted bank deposits and term deposit with original maturity over three months. Total capital is calculated as “equity” as shown in the consolidated statement of financial position. As at December 31, 2021 and 2020, the Group has a net cash position.

Capital Expenditure

Our capital expenditures primarily included purchase of equipment and intangible assets. Our capital expenditures increased by 55.6% to RMB19.6 million in 2021 from RMB12.6 million in 2020. We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds from the global offering.

Material Acquisitions and Future Plans for Major Investments

As of December 31, 2021, the Group did not have any plans for major investments and capital assets. During the year ended December 31, 2021, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Major Investments Held

On March 12, 2019, we entered into a subscription agreement and a strategic cooperation agreement with Huanxi Media Group Limited. Pursuant to the subscription agreement, we have conditionally agreed to subscribe for, and Huanxi Media Group Limited has conditionally agreed to allot and issue to us, 236,600,000 shares at a total consideration of HK$390,555,620. Under such agreements, we planned to establish strategic cooperation with Huanxi Media Group Limited in entertainment content services. On March 19, 2019, the subscription was completed and the consideration was duly paid. For further details, please see our announcement dated March 13, 2019 and our Annual Report for 2018 and 2019. As at December 31, 2021, we held 5.7% equity interest of Huanxi Media Group Limited.

Foreign Exchange Risk Management

Our businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. We manage foreign exchange risk by performing regular reviews of our foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary. We did not enter into any forward contract or other financial instruments to hedge our exposure to foreign currency risk in 2021.

Management Discussion and Analysis

Employees and Remuneration Policy

As of December 31, 2021, we had 876 full-time employees, all of whom were based in mainland China, primarily at our headquarters in Beijing, with the remainder in Shanghai and various other cities in China.

Committed to establishing a competitive, fair remuneration and benefits system, we continually refine our remuneration and incentive policies through market research and comparison with our competitors, in order to ensure that our employees receive competitive remuneration packages. As required under the PRC regulations, we participate in housing fund and various employee social security plan that are organized by applicable local municipal and provincial governments. We also purchase commercial health and accidental insurance for our employees. We also provide regular and specialized trainings tailored to the needs of our employees in different departments, so that our employees may stay up to date with the latest industrial developments and technological advancements. In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel, we have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

As required under the PRC regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans, under which the Group and the PRC based employees are required to make monthly contributions to these plans at specified percentages of the salaries of the employees. There was no forfeited contribution utilized to offset employers' contributions for the year ended December 31, 2021, and there was no forfeited contribution available to reduce the contribution.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Zheng Zhihao (鄭志昊), aged 52, is an executive Director and the chief executive officer of the Company and has held directorships and senior management positions at various subsidiaries within the Group, including as a director and the general manager of Tianjin Maoyan Weying since April 2016, and as an executive director, the legal representative as well as the manager of Maoyan Technology from February 2018 to July 2021.

Mr. Zheng has extensive experience in the Internet and media industries. From April 2001 to February 2005, Mr. Zheng served as a senior consultant in Microsoft Corporation, a company listed on the NASDAQ (Stock Code: MSFT). From February 2005 to September 2006, Mr. Zheng successively served as senior program manager and group manager in Microsoft (China) Co., Ltd. Shanghai Branch (微軟(中國)有限公司上海分公司). Mr. Zheng then served as a department general manager and vice president of Tencent Technology (Shenzhen) Company Limited (騰訊科技(深圳)有限公司) from September 2006 to April 2015. Mr. Zheng also served as the president and the chief product officer at Dianping Holdings Ltd. between March 2014 and November 2015, responsible for its overall operations and the management of various products, including the development of the movie department and the management of the entertainment business such as the movie ticketing services business, and as the president of the platform business group of Meituan between November 2015 and April 2016, mainly in charge of the management of various products, including the movie ticketing services, product operations and technologies.

Mr. Zheng received a bachelor's degree in applied chemistry from Shandong University (山東大學) in Shandong, the PRC in July 1992 and a master's degree in science from University of Kentucky in Kentucky, the United States, in December 1996.

NON-EXECUTIVE DIRECTORS

Mr. Wang Changtian (王長田), aged 57, is a non-executive Director and the Chairman of the Company and the chairman of Tianjin Maoyan Weying since July 2016. Mr. Wang also holds directorships and senior management positions in companies across various industries. In the media industry, Mr. Wang has served as the chairman and general manager of Enlight Media since April 2000, and held directorships at its various subsidiaries, including Beijing Enlight Pictures Co., Ltd. (北京光線影業有限公司) ("Enlight Pictures") and Horgos Colorful (Enlight) Pictures Co., Ltd. (霍爾果斯彩條屋影業有限公司) ("Colorful Pictures") since October 2004 and July 2015, respectively; and in the finance sector, Mr. Wang has served as a director of China Renaissance Securities (China) Co., Ltd. (華興證券有限公司) and Beijing Zhongguancun Bank Co., Ltd. (北京中關村銀行股份有限公司) since August 2016 and June 2017, respectively.

Mr. Wang received a bachelor's degree in journalism from Fudan University (復旦大學) in Shanghai, the PRC in July 1988.

Profiles of Directors and Senior Management

Ms. Li Xiaoping (李曉萍), aged 47, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Ms. Li also holds directorships and senior management positions at various companies in the media industry where she has served as a deputy general manager of Enlight Media since October 1999 and as its director since July 2009, as the president of Enlight Pictures since March 2011, and also as a director of various other subsidiaries of Enlight Media including Beijing Chuanmei Zhiguang Advertising Co., Ltd. (北京傳媒之光廣告有限公司) and Beijing Enlight Yishi Internet Technology Co., Ltd. (北京光線易視網絡科技有限公司).

Ms. Wang Jian (王牮), aged 50, is a non-executive Director of the Company and holds directorships and senior management positions at various companies within the Group, including as a director of Tianjin Maoyan Weying since July 2016, as an executive director and the manager of Maoyan Pictures since August 2016, and as an executive director, the general manager as well as the legal representative of Beijing Maoyan since August 2016. Currently, Ms. Wang also holds directorships and senior management positions at various subsidiaries of Enlight Media, including as a director and the general manager of Shannan Enlight Pictures Co., Ltd. (山南光線影業有限公司) since August 2017. Ms. Wang has also served as a director at Enlight Holdings since January 2009.

Previously, Ms. Wang served as the chief financial officer of Enlight Media from June 2000 to September 2011 and from August 2012 to August 2018. She also served as a board secretary of Enlight Media from July 2009 to February 2016.

Ms. Wang received her associate's degree in foreign trade and economy from Dalian Institute of Economy and Management (大連經濟管理學院) in Liaoning, the PRC in July 1992.

Profiles of Directors and Senior Management

Mr. Cheng Wu (程武), aged 47, was appointed as a non-executive Director of the Company on June 9, 2020. Mr. Cheng has been serving as a vice president of Tencent since March 2013 and as the chief executive officer of Tencent Pictures since September 2015. He is responsible for strategic planning and day-to-day operation of Tencent Pictures and Tencent Animation & Comic. In addition, he is also responsible for the management of Tencent's Marketing and Public Relations Department. Mr. Cheng serves as an executive director and the chief executive officer of China Literature Limited (閱文集團), a company listed on the Stock Exchange with stock code 772 since April 2020. He also serves as an executive director and vice chairman of Huayi Tencent Entertainment Company Limited (華誼騰訊娛樂有限公司), a company listed on the Stock Exchange with stock code 419 since 2018.

Mr. Cheng graduated from Tsinghua University with a bachelor of science degree in physics, and gained an EMBA from the Olin Business School at Washington University.

Mr. Chen Shaohui (陳少暉), aged 41, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since March 2017.

Mr. Chen has extensive experience in investment and strategic management. Between June 2004 and October 2005, he worked as an analyst at A.T. Kearney. From October 2005 to August 2008, he was employed as an investment manager at WI Harper Group (中經合集團). Between January 2011 and October 2014, he served as an investment director at Tencent. In November 2014, he joined Meituan and currently serves as its chief financial officer and senior vice president. In July 2018, Mr. Chen was appointed as a director at Enlight Media.

Mr. Chen received a bachelor's degree in economics from Peking University (北京大學) in Beijing, the PRC in June 2004 and a master's degree in business administration from Harvard Business School in Massachusetts, the United States, in May 2010.

Mr. Lin Ning (林寧), aged 48, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Mr. Lin has served as the chairman and chief executive officer of Beijing Weying Shidai since May 2014, and also the chairman of its subsidiaries, including Beijing Weisai Shidai Sports Technology Co., Ltd. (北京微賽時代體育科技有限公司) and the executive director of Horgos Yuyue Media Co., Ltd. (霍爾果斯娛躍文化傳播有限公司) since November 2015 and March 2017, respectively.

Mr. Lin received a bachelor's degree in television program editing from Beijing Broadcasting Institute (北京廣播學院) (now known as Communication University of China (中國傳媒大學)) in Beijing, the PRC in July 1995 and his executive master degree in business administration from Peking University (北京大學) in Beijing, the PRC in July 2009. Currently he is studying for a doctorate degree in business administration at Cheung Kong Graduate School of Business (長江商學院) in Beijing, the PRC.

Profiles of Directors and Senior Management

Mr. Tang Lichun, Troy (唐立淳), aged 36, is a non-executive Director of the Company since January 15, 2020. Mr. Tang has over ten years of experience in media technology and investment. Mr. Tang has served as a director of FountainVest Partners Asia Limited since May 2012. Mr. Tang worked at PricewaterhouseCoopers from October 2007 to April 2012 and served as a manager.

Mr. Tang graduated from Shanghai Jiao Tong University (上海交通大學) in August 2007 with a bachelor degree in business administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Hua (汪華), aged 44, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Wang is the founder of and currently serves as a managing partner in the investment department of Sinovation Ventures (創新工場), an established Chinese technology-savvy investment firm. Mr. Wang has extensive experience in capital investment and information technology industry. He founded Shanghai Yinda Technology Co., Ltd. (上海音達科技集團有限公司), a company providing technical solutions to telecommunication carriers and equipment providers. Between September 2006 and October 2009, Mr. Wang served as the strategic partner manager in Google China.

Mr. Wang received a bachelor's degree in automation from Shanghai University of Electric Power (上海電力大學) in Shanghai, the PRC in July 1999 and a master's degree of business administration from Stanford University in California, the United States in June 2006.

Mr. Chan Charles Sheung Wai (陳尚偉), aged 68, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Chan holds directorships in various companies. Since July 2012, Mr. Chan has served as an independent non-executive director of SRE Group Ltd. (上置集團有限公司), a company listed on the Stock Exchange (Stock Code: 1207). Since January 31, 2021, Mr. Chan has served as an independent non-executive director of Sun Art Retail Group Limited (高鑫零售有限公司), a company listed on the Stock Exchange (Stock Code: 6808). Since November 11, 2020, Mr. Chan has served as an independent non-executive director of Shanghai Bio-heart Biological Technology Co., Ltd., a company listed on the Stock Exchange on December 23, 2021 (stock code: 2185). Since June 2019, Mr. Chan has served as an independent non-executive director of Hansoh Pharmaceutical Group Company Limited (翰森製藥集團有限公司), a company listed on the Stock Exchange (Stock Code: 3692). Between September 2013 and April 2020, Mr. Chan served as an independent non-executive director of Changyou.com Ltd. (暢遊有限公司), a company listed on the NASDAQ (Stock Code: CYOU). Between May 2016 and May 2019, Mr. Chan served as an independent non-executive director of CITIC Securities Ltd. (中信証券股份有限公司), a company listed on the Stock Exchange (Stock Code: 6030) and Shanghai Stock Exchange (Stock Code: 600030).

Between 1977 and 1994, Mr. Chan worked in Arthur Andersen Canada. Between 1994 and 2002, Mr. Chan served as a partner and head of audit and business advisory division in Arthur Andersen China/Hong Kong, during which he had been a global partner since 1998. Between July 2002 and June 2012, he held various management positions at PricewaterhouseCoopers Zhong Tian CPAs Limited, including a partner in assurance department.

Mr. Chan received a bachelor's degree in commerce from University of Manitoba in Manitoba, Canada in May 1977. Mr. Chan has been a Chartered Accountant in Canada and a Certified Public Accountant in Hong Kong since 1980 and 1995, respectively. Mr. Chan was a member of Council, Hong Kong Society of Accountants (now named Hong Kong Institute of Certified Public Accountants). Between 1998 and 2001, he was a member of Listing Committee of the Stock Exchange. Mr. Chan was a member of the First Election Committee for the Hong Kong Legislature in April 1998.

Mr. Yin Hong (尹紅, alias: Yin Hong (尹鴻)), aged 60, has been appointed as an independent non-executive Director of the Company on October 28, 2020. Mr. Yin has been serving as a professor of Tsinghua University (清華大學) since 1999. Between December 1984 and August 1986, Mr. Yin served as a teaching assistant of Sichuan University (四川大學). Between September 1989 and August 1999, Mr. Yin served in Beijing Normal University (北京師範大學) with his last position as a professor. Mr. Yin is a well-known film theorist, critic, and planner in China. He has served as a consultant, producer, and art director for a number of film and television works, and concurrently assumes many important positions within several national associations and societies including the vice chairman of the China Literature and Art Critics Association (中國文藝評論家協會) and the vice chairman of the China Film Association (中國電影家協會).

Mr. Yin obtained the bachelor degree in Chinese language and the master degree in modern Chinese literature from Sichuan University (四川大學) in 1982 and 1984, respectively, and the doctoral degree in modern Chinese literature from Beijing Normal University (北京師範大學) in 1989. Mr. Yin received the Special Government Allowances of the State Council (國務院政府特殊津貼) from the State Council of the PRC in 2010 and was awarded the Top Ten Film Workers of Beijing (北京十佳電影工作者) by departments including Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局), Beijing Federation of Literary and Art Circles (北京市文學藝術界聯合會) and Beijing Television Artists Association (北京電視藝術家協會) in 2013.

Profiles of Directors and Senior Management

Ms. Liu Lin (劉琳), aged 46, has been appointed as an independent non-executive Director of the Company on June 9, 2020. Between March 2016 and May 2020, Ms. Liu served as a senior vice president of Meituan, a company listed on the Stock Exchange (Stock Code: 3690). Between April 2003 and March 2016, Ms. Liu served as the general manager of the human resources department and the general manager of management and consulting department under the president office of Tencent.

Ms. Liu obtained a master degree in economics from Nankai University in December 2006.

CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed in this Annual Report, for the year ended December 31, 2021, the Company does not have any information required for disclosure in accordance with Rule 13.51B(1) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Zheng Zhihao (鄭志昊) is the executive Director and the chief executive officer of the Company. See “Executive Director” above for his biographical details.

Mr. Gu Sibin (顧思斌), aged 39, is the president of the Group and the president of Tianjin Maoyan Weying since October 2017.

Mr. Gu has various years of experience in the Internet and media industries. Between July 2004 to March 2014, he worked at Tencent and gained experience in, among others, internet value-added services, membership system, e-commerce, and virtual community building. Between April 2014 and September 2014, Mr. Gu served as a vice president at JD.com, Inc. (京東集團) a company listed on the NASDAQ (Stock Code: JD) and the Stock Exchange (Stock Code: 9618) and was responsible for overseeing its wireless business. Between September 2014 and January 2017, Mr. Gu served as the chief product officer at Youku Tudou Inc. (優酷土豆股份有限公司), where he was responsible for product research and development, user operations and paid memberships.

Mr. Gu graduated from the college of management of Beijing University of Posts and Telecommunications (北京郵電大學) in Beijing, the PRC in July 2004.

JOINT COMPANY SECRETARIES

Ms. Zheng Xia (鄭霞) was appointed as a Joint Company Secretary of the Company in August 2018. Ms. Zheng has served as the legal director and other positions since joining the Company in May 2018. Ms. Zheng has more than ten years of experience as a lawyer.

Ms. Zheng received a bachelor's degree in law and a master's degree in law from China University of Political Science and Law (中國政法大學) in Beijing, the PRC, in June 2004 and January 2011, respectively. Ms. Zheng also obtained a LL.M degree from the University of Southern California in May 2012. Ms. Zheng is qualified as a lawyer in New York, and has obtained the PRC legal professional qualification.

Mr. Cheng Ching Kit (鄭程傑) was appointed as a Joint Company Secretary of the Company in August 2018. Mr. Cheng is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and has over nine years of experience in corporate secretarial field. He is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Mr. Cheng obtained bachelor of commerce degree in finance from the University of Queensland, Australia.

Directors' Report

The Board presents the directors' report together with the audited consolidated financial statements of our Group for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

We are a leading provider of "Technology+Pan-Entertainment" service in China, offering online entertainment ticketing services, entertainment content services and advertising services and others.

RESULTS OF OPERATIONS

The results of our Group for the year ended December 31, 2021 are set out in the consolidated statement of comprehensive income on pages 102 to 103 of this Annual Report.

FINANCIAL SUMMARY

The financial summary of our Group between 2017 and 2021 is set out in the section headed "Financial Summary" on page 222 in this Annual Report.

BUSINESS REVIEW

In 2021, China's movie industry strived to overcome the adverse impacts of the ongoing recurrence of the COVID-19 pandemic. The China's annual gross box office of movies in China recovered to 74% of its pre-pandemic level, and continued to stay at Number One in the world in terms of both annual box office and total number of movie screens. The Group's performance recovered rapidly and the entertainment content service business achieved breakthrough growth. As China's leading service provider in "Technology+Pan-Entertainment", we will continue to grow firmly, aiming to provide higher-quality services to the industry and facilitate increased production of premium content.

For more details of the business development and performance of our Group for the Year, please refer to the sections headed "CEO Statement" and "Management Discussion and Analysis" in this Annual Report.

Principal risks and uncertainties

Please refer to the section headed "Risk Management and Internal Control" in the corporate governance report in this Annual Report for the principal risks and uncertainties facing the Group.

Important events occurred since the end of the financial year

There have been no other significant events affecting the Company from December 31, 2021 up to the date of this Annual Report.

Future development

Looking forward, we will continue to devote ourselves to China's pan-entertainment industry. By adhering to our core development strategy "Technology+Pan-Entertainment", we will continue to produce premier contents with positive values to tell China stories well and to strengthen our business synergies. We will also strive to create more values for the pan-entertainment industry and the society, as well as to progress towards the inspiring goal of building China into a major cinematic player. Meanwhile, we will continuously improve our competitiveness and innovation capacities in accordance with the core requirements of the industry and our company's own development.

For more details of the future development of the Group, please refer to "CEO's Statement" of this Annual Report.

Environmental policies and performance

We are not subject to significant environmental risks. During the year ended December 31, 2021 and up to the date of this Annual Report, we were not been subject to any fines or other penalties due to non-compliance with environmental regulations.

For more details of the environment policies and performance of the Company, please refer to the section headed "Environmental, Social and Governance Report" of this Annual Report.

Compliance with the relevant laws and regulations

Our Group is subject to applicable laws and regulations in the PRC in respect of its business operations, including but not limited to those relating to value-added telecommunications services, information security and privacy protection, film distribution, radio and television programs, and Internet advertisement. During the year ended December 31, 2021 and up to the date of this Annual Report, we had not been and were not involved in any non- compliance incidents that led to fines, enforcement action or other penalties that could, individually or in the aggregate, have a material adverse impact on our business, financial condition or results of operations, and had complied with all relevant PRC laws and regulations that are applicable to us in all material respects.

Relationships with stakeholders

The Group's success depends on the support from key stakeholders which comprise our Directors and senior management members, employees, customers and suppliers.

Employees

As of December 31, 2021, we had 876 full-time employees, all of whom were based in China, primarily at our headquarters in Beijing, with the remainder in Shanghai and various other cities in China.

Committed to establishing a competitive, fair remuneration and benefits system, we continually refine our remuneration and incentive policies through market research and comparison with our competitors, in order to ensure that our employees receive competitive remuneration packages. As required under the PRC regulations, we participate in housing fund and various employee social security plan that are organized by applicable local municipal and provincial governments. We also purchase commercial health and accidental insurance for our employees. We also provide regular and specialized trainings tailored to the needs of our employees in different departments, so that our employees may stay up to date with the latest industrial developments and technological advancements. In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel, we have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

Customers

Our customers primarily include cinemas, entertainment content producers and distributors, and advertisers. Pursuant to the ticket sales agreements with cinemas, we typically act as a non-exclusive online ticketing service provider for tickets sold outside of cinemas.

Suppliers

Our suppliers primarily include ticketing system companies who help establish and maintain our connection with cinemas' ticketing systems. We generally enter into separate agreements with these ticketing system companies supplementary to our agreements with cinemas, to establish a connection between our platform and the ticketing system of each cinema and to ensure the smooth integration of its ticketing system into our network. The settlement period with ticketing system companies is typically one month.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended December 31, 2021, the percentage of the total revenue attributable to the five largest customers was approximately 40% of the total revenue of the Group, whereas the percentage of the total revenue attributable to the top customer was approximately 12% of the total revenue of the Group. In addition, for the year ended December 31, 2021, the percentage of the total cost attributable to the five largest suppliers was approximately 26% of the total cost of the Group, whereas the percentage of the total cost attributable to the largest supplier was approximately 7% of the total cost of the Group. To the knowledge of the directors, during the Reporting Period, save for Tencent, a shareholder of the Company holding 13.77% of the shares of the Company as of December 31, 2021, is one of the five largest customers, none of the other directors (including those who resigned during the Reporting Period) and their associates or any shareholders holding more than 5% of the issued shares of the Company have any rights or interests in our five largest customers.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2021 are set out in Note 14 to the audited consolidated financial statements.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021 (2020: Nil).

CLOSURES OF THE REGISTER OF MEMBERS

The Company will hold the AGM on Tuesday, June 28, 2022. The register of members of the Company will be closed from Thursday, June 23, 2022 to Tuesday, June 28, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, June 22, 2022.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 37 to the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended December 31, 2021 are set out in Note 29 to the audited consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year ended December 31, 2021 are set out in Notes 30 and 36 respectively to the audited consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the Company's reserves available for distribution to the Shareholders, calculated in accordance with the provisions of the Companies Act, as at December 31, 2021, are set out in Note 36 to the audited consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in the paragraph headed "Liquidity, Financial Resources and Gearing" in the section headed "Management Discussion and Analysis" in this Annual Report and Note 26 to the audited consolidated financial statements.

ISSUE OF DEBENTURE

The Group has not publicly issued any debentures during the year ended December 31, 2021.

TAX RELIEF AND EXEMPTION

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

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company is incorporated, under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CHARITABLE DONATIONS

During the year ended December 31, 2021, the Group did not make any charitable and other donations.

USE OF PROCEEDS

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK$1,839.3 million after deducting underwriting commissions and all related expenses. The following table sets forth the Company's use of the proceeds from the Listing and the planned timetable as of December 31, 2021.

Intended use of net proceeds	Allocation of net proceeds	Amount of net proceeds utilized as of December 31, 2021	Balance of net proceeds as of December 31, 2021	Expected timeline for balance of net proceeds
		HK$ in millions		
Funding for improving integrated platform capabilities	551.8	474.5	77.3	By December 31, 2022
Research and development and technical infrastructure	551.8	468.1	83.7	By December 31, 2022
Funding potential investments and acquisitions	551.8	413.0	138.8	By December 31, 2022
Working capital and general corporate purposes	183.9	183.9	–	–

Save as disclosed above, since the Listing Date, the Group has not utilized any other portion of the net proceeds, and will gradually utilize the net proceeds in accordance with the intended purposes as stated in the Prospectus.

Directors' Report

DIRECTORS

The Directors during the Reporting Period and as of the date of this Annual Report are:

Executive Director

Mr. Zheng Zhihao *(Chief Executive Officer)*

Non-executive Directors

Mr. Wang Changtian *(Chairman)*
Ms. Li Xiaoping
Ms. Wang Jian
Mr. Cheng Wu
Mr. Chen Shaohui
Mr. Lin Ning
Mr. Tang Lichun, Troy

Independent Non-executive Directors

Mr. Wang Hua
Mr. Chan Charles Sheung Wai
Mr. Yin Hong
Ms. Liu Lin

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

In accordance with Article 109(a) of the Articles of Association, Mr. Wang Changtian, Mr. Cheng Wu, Mr. Chen Shaohui and Mr. Wang Hua shall retire by rotation at the AGM and, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Our executive Director has entered into a service contract with the Company for term of three years from June 29, 2021. Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the non-executive Directors and independent non-executive Directors (excluding Mr. Tang Lichun, Troy, Mr. Cheng Wu, Ms. Liu Lin and Mr. Yin Hong) has entered into an appointment letter with the Company. The term for their appointment shall be three years from June 29, 2021 or until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Mr. Tang Lichun, Troy, has entered into an appointment letter with the Company on January 15, 2020; each of Mr. Cheng Wu and Ms. Liu Lin has entered into an appointment letter with the Company on June 9, 2020; and Mr. Yin Hong has entered into an appointment letter with the Company on October 28, 2020. The initial term for their appointment shall be three years from the date of their appointment or until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

There was no service contract entered into/appointment letter signed by the Company and any Directors to be re-elected at the forthcoming AGM which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Our Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 34 to the Consolidated Financial Statements and in the section headed "Connected Transactions" of a Directors' Report in this Annual Report, no Director nor an entity connected with a Director has or had material beneficial interest, directly or indirectly in any transaction and arrangement or contract of significant subsisting as at December 31, 2021, or at any time during the year ended December 31, 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of December 31, 2021, Mr. Wang Changtian, our Chairman and non-executive Director, (i) indirectly held approximately 24.35% and 16.95% interests in our Company's issued share capital through Vibrant Wide Limited (a wholly owned subsidiary of Mr. Wang) and Hong Kong Pictures International Limited (a wholly owned subsidiary of Enlight Media), respectively; and (ii) directly held 95% interests in Enlight Holdings (in which the remaining 5% is held by Ms. Wang Jian, being Mr. Wang's sister), which owned approximately 42.52% interests in Enlight Media.

As disclosed in the Prospectus, Enlight Media is primarily engaged in investment and production of entertainment content, including movies, TV series, comics and animation, video, music and literature, as well as movie and TV series promotion and distribution. For details of the delineation of the businesses of our Group and of Enlight Media, please refer to the section headed "Relationship with Enlight and Tencent" in the Prospectus.

Saved as disclosed above, as of December 31, 2021, none of the Directors nor their respective close associates had interests in businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

MANAGEMENT CONTRACTS

No contract 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 December 31, 2021.

REMUNERATION OF DIRECTORS

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. Directors' remuneration is subject to Shareholders' approval at general meetings or shall be fixed by the Board with the authorization. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. No Director, or any of their respective associates, was involved in deciding his/her own remuneration.

Details of the remuneration of the Directors and the five highest paid individuals during the year ended December 31, 2021 are set out in Notes 9 and 38 to the audited consolidated financial statements respectively.

During the year ended December 31, 2021, none of the Directors had waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

EQUITY-LINKED AGREEMENT

Except for the employee incentive schemes as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2021.

EMPLOYEE INCENTIVE SCHEMES

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted a series of employee incentive scheme, including Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement (collectively, the "ESOP Plan") on July 23, 2018 (the "Adoption Date").

The total number of Shares issued or issuable pursuant to the ESOP Plan shall not be more than 117,033,705 Shares, representing approximately 10.2% of the total issued share capital of the Company as at the date of this Annual Report.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted by the Company as a continuation and restructuring of the employee share incentive scheme originally adopted by Tianjin Maoyan Weying on November 8, 2016 (the "2016 ESOP") following the Reorganization, which was established to recognize and reward the contribution of the participants to the growth and development of Tianjin Maoyan Weying. The 2016 ESOP was terminated as a result of the adoption of the ESOP Plan. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for new Shares of the Company.

The Pre-IPO Share Option Scheme shall be valid and effective for the period of time commencing on the Adoption Date and unless amended, altered, suspended or terminated by the Board and Shareholders, the Pre-IPO Share Option Scheme shall continue in effect for a term of eight (8) years and shall terminate on the eighth anniversary of the Adoption Date. As of the date of this Annual Report, the Pre-IPO Share Option Scheme shall continue in effect for next four years, upon which any Pre-IPO Share Options granted or agreed to be granted pursuant to the Pre-IPO Share Option Scheme and any offer of such a grant shall be of no effect, and for which no claim whatsoever shall be made against the Company.

Directors' Report

Participants of the Pre-IPO Share Option Scheme, (the "Pre-IPO Eligible Participants") include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate provided that such Pre-IPO Eligible Participants shall have satisfied certain conditions. Nil consideration is required to be paid by the grantee of Pre-IPO Share Option Scheme (the "Grantee") for the grant of any Pre-IPO Share Options under the Pre-IPO Share Option Scheme.

The maximum number of Shares that may be issued upon exercise of all options granted and to be granted under the Pre-IPO Share Option Scheme shall be no more than 42,544,600 (which have been reserved by the Company), representing approximately 3.7% of the total issued share capital of the Company as at the date of this Annual Report.

A Grantee may exercise his or her option in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) at any time during the period which may be specified by the Board or the CEO in the grant letter (the "Pre-IPO Exercise Period") by the Grantee (or in the case of his death, his legal personal representatives) giving notice in writing to the Company stating that the Pre-IPO Share Options are thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of exercise price (the "Pre-IPO Exercise Price") for the Shares in respect of which the notice is given.

The vesting of the Pre-IPO Share Options to each Grantee shall follow the vesting schedule in each of such Grantee's grant letter. The vesting period shall commence on the date of the grant letter or any other date as the CEO may agree. Notwithstanding the foregoing, in order to match the vested options under the 2016 ESOP, certain Pre-IPO Share Options shall be vested to the Grantees upon the date of the grant letter but shall only become exercisable as and when permitted by applicable laws, which will be more specifically set out in the grant letter. All the underlying Shares pursuant to the share options granted and to be granted under the Pre-IPO Share Option Scheme are subject to lock-up for a period of six months following the Listing during which no employee shall dispose of the underlying Shares issued to such employee.

In the case of retirement, voluntary termination of employment or engagement of the Grantee, any unvested Pre-IPO Share Options at such termination will be automatically forfeited and any Pre-IPO Share Option not exercised prior to the expiry of the ninety-day period will lapse.

The Pre-IPO Share Options exercise price shall be as specified by the Board or the CEO in the grant letter and may be determined by reference of the market practice and the historical value of the Shares during the capitalisation period of the Company, which shall in no event be lower than the par value of the Shares in the Company.

Movements of the options granted by the Company pursuant to the Pre-IPO Share Option Scheme during the Reporting Period are as follows:

Category	Exercise price per Share (HK$)	Date of grant	Exercise period	Closing price immediately prior to grant	Outstanding as of January 1, 2021	Granted during the period	Exercised during the period	Weighted average closing price immediately prior to exercise (HK$)	Lapsed during the period	Cancelled during the period	Outstanding as of December 31, 2021	Vesting Period (note)
Employee	0.1009	2016/8/1 to 2018/3/1	Eight years from the date of grant	NA	3,302,465	–	2,255,336	14.8178	8,183	3,086	1,035,860	1(a)
	14.8000	2018/2/1 to 2018/8/1	Eight years from the date of grant	NA	9,738,506	–	166,928	15.9528	566,287	304,527	8,700,764	1(b)
		2018/4/11 to 2018/6/1		NA	7,710,890	–	–	NA	–	–	7,710,890	1(a)
Total					**20,751,861**	**–**	**2,422,264**	**NA**	**574,470**	**307,613**	**17,447,514**	

Note:

1. The options granted under the scheme are subject to a vesting schedule and can be exercised in the following manner:

a. Category A

Vesting Date	Percentage that can be exercised
First vesting date	Up to 25% of the options granted
First anniversary of first vesting date	Up to 50% of the options granted
Second anniversary of first vesting date	Up to 75% of the options granted
Third anniversary of first vesting date	Up to all of the options granted

b. Category B

Vesting Date	Percentage that can be exercised
First vesting date	Up to 50% of the share options granted
First anniversary of first vesting date	Up to 75% of the share options granted
Second anniversary of first vesting date	Up to all of the share options granted

POST-IPO SHARE OPTION SCHEME

The purpose of the Post-IPO Share Option Scheme is to provide incentives and rewards to directors, senior management and employees of the Group and any other eligible individuals and/or entities in order to provide incentives and rewards to them for their contribution, and to align the corporate objectives and interests between the Group and its key talents.

The Post-IPO Share Option Scheme was conditionally adopted together with the Restricted Share Agreement, Pre-IPO Share Option Scheme and the RSU Scheme by the Shareholders' resolutions on the Adoption Date. The total number of Shares which may be issued upon exercise of options that may be granted under the Post-IPO Share Option Scheme and the RSU Scheme shall not in aggregate exceed 55,211,880 Shares ("Post-IPO Share Option and RSU Total Limit") (which have been reserved by the Company), representing approximately 4.8% of the total issued share capital of the Company as at the date of this Annual Report.

Participants of the Post-IPO Share Option Scheme (the "Post-IPO Eligible Participants") include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate. The subscription price in respect of any option shall be a price determined by the Board which shall be no less than (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of the grant letter; (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant letter of the relevant Post-IPO Share Options; and (iii) the par value of the Share on the date of the grant letter.

Except with the approval of shareholders in general meeting, no option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time. Any grant of further Post-IPO Share Options above this limit shall be subject to the requirement under the Listing Rules.

Upon acceptance of the offer of Post-IPO Share Options, a payment of RMB1 by the grantee to the Company is payable, and such remittance shall not be refundable and shall not be deemed to be a part payment of the subscription price.

A person entitled to any Post-IPO Share Option in consequence of the death of the original grantee (or in the case of his death, his legal personal representatives) may exercise his Post-IPO Share Options in whole or in part (but if in part, only in respect of a board lot or any integral multiple thereof) at any time during the Post-IPO Exercise Period which may be specified by the Board in the grant letter in the manner by giving notice in writing (in such form as the Company may from time to time specify) to the Company stating that the Post-IPO Share Options are thereby exercised and the number of Shares in respect of which it is exercised with a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given.

Subject to the rules of the Post-IPO Share Option Scheme, options may be exercised by an Post-IPO Eligible Participant, in whole or in part, at any time during the period commencing from the grant date and such expiry date as determined by the Board in the grant letter (the "Post-IPO Exercise Period").

Subject to earlier termination by our Company in general meeting or by the Board, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the effective date, after which period no further options will be granted by the provisions of the scheme, but the provisions of the scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

Directors' Report

Movements of the options granted by the Company pursuant to the Post-IPO Share Option Scheme during the Reporting Period are as follows:

Category	Exercise price per Share (HK$)	Date of grant	Exercise Period	Closing price immediately prior to grant (HK$)	Outstanding as of January 1, 2021	Granted during the period	Exercised during the period	Weighted average closing price immediately prior to the date of exercise of share options (HK$)	Lapsed during the period	Cancelled during the period	Outstanding as of December 31, 2021	Vesting Period (note)
Employee	16.2000	2019/5/2	Ten years from the date of grant	16.1000	50,000	–	–	N/A	–	–	50,000	1(b)
	14.7600	2019/5/10	Ten years from	14.1000	2,944,788	–	165,594	16.0731	215,182	409,928	2,154,084	1(b)
			the date of grant		293,015	–	–	N/A	77,110	77,110	138,795	1(a)
	11.4360	2019/11/1	Ten years from the date of grant	11.3200	230,200	–	–	N/A	–	50,000	180,200	1(b)
	10.5000	2020/4/29	Ten years from	10.3200	2,032,822	–	–	N/A	28,975	86,927	1,916,920	1(a)
			the date of grant		275,000	–	–	N/A	–	–	275,000	1(b)
Director												
Zheng Zhihao	13.1360	2021/1/19	Ten years from the date of grant	12.6200	–	15,066,000	–	N/A	–	–	15,066,000	1(a)
Total					**5,825,825**	**15,066,000**	**165,594**	**N/A**	**321,267**	**623,965**	**19,780,999**	

Note:

1. Please refer to note under sub-section headed "Pre-IPO Share Option Scheme" above.

RSU SCHEME

The purposes of the RSU Scheme is to recognize and reward participants for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them to remain within the Group and further promote the success of its business. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

An award of restricted share units under the RSU Scheme (the "Award(s)") gives a participant in the RSU Scheme a conditional right when the Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. An Award may include, if so specified by the Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

Participants of the RSU Scheme (the "RSU Participants") include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate.

Subject to any early termination as may be determined by the Board and Shareholders, the RSU Scheme shall be valid and effective for the period of eight years commencing on the date of adoption (the "Term of the RSU Scheme"), after which no further Awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Term of the RSU Scheme may continue to be exercisable in accordance with their terms of issue.

On and subject to the terms of the RSU Scheme and the terms and conditions that the Board and/or the CEO (as the case may be) imposes, the Board and the CEO shall be entitled at any time during the term of the RSU Scheme to make a grant to any RSU Participant as the Board or the CEO may in its respective absolute discretion determine. The amount of an Award may be determined at the sole and absolute discretion of the Board and the CEO (as the case may be) and may differ among selected Participants.

No Award shall be granted pursuant to the RSU Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) will exceed in total 31,918,285 Shares (the "RSU Scheme Limit") (which have been reserved by the Company), representing approximately 2.8% of the total issued share capital of the Company as at the date of this annual report.

Directors' Report

The Company may appoint a professional Trustee (the "RSU Trustee") to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme.

Subject to the execution of documents by the grantee, the RSUs which have vested shall be satisfied at the Board's or the CEO's absolute discretion.

The RSU Scheme may be terminated at any time prior to the expiry of its term by the Board and Shareholders provided that the Company shall protect all subsisting rights of all grantees hereunder, including the repayment of consideration or transfer price payable under the RSU Scheme. In this event no further Awards shall be granted after the RSU Scheme is terminated but in all other respects the provisions of the RSU Scheme shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid.

The award shares granted by the Company for the year ended December 31, 2021 are as follows:

Category	Date of grant	Total amount of award shares granted	Closing price immediately prior to grant (HK$)	Outstanding as of January 1, 2021	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Outstanding as of December 31, 2021
Employee	2019/5/2	655,425	16.1000	655,425	–	327,712	–	–	327,713
	2019/10/8	3,336,336	12.0200	2,568,980	–	–	–	2,568,980	–
	2019/11/1	729,200	11.3200	629,200	–	314,600	–	–	314,600
	2020/4/29	8,608,779	10.3200	7,960,411	–	1,912,710	–	1,437,518	4,610,183
	2021/5/1	449,378	15.4800	–	449,378	–	–		449,378
	2021/11/26	1,514,100	9.2900	–	1,514,100	–	–		1,514,100
Total				**11,814,016**	**1,963,478**	**2,555,022**	**–**	**4,006,498**	**7,215,974**

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors/ Chief Executive	Capacity	Nature of Interests	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Zheng Zhihao[1]	Interest in controlled corporations	Long Position	19,277,225	1.69
	Beneficial owner	Long Position	19,938,539[2]	1.75
Mr. Wang Changtian[3]	Interest in controlled corporations	Long Position	312,722,773	27.39
		Short Position	158,743,072	13.91
Ms. Wang Jian	Beneficial owner	Long Position	450,000	0.04

Notes:

1. As at December 31, 2021, Rhythm Brilliant Limited directly held 19,277,225 Shares in our Company. Rhythm Brilliant Limited is a wholly-owned subsidiary of Mr. Zheng Zhihao. Therefore, Mr. Zheng Zhihao is deemed to be interested in the 19,277,225 Shares held by Rhythm Brilliant Limited for purpose of Part XV of the SFO.

2. These interests include 15,066,000 options granted by the Company to Mr. Zheng Zhihao under the Post-IPO Share Option Scheme on January 19, 2021, entitling him to subscribe for 15,066,000 shares of our Company. As of December 31, 2021, Mr. Zheng Zhihao has not exercised any options.

3. As at December 31, 2021, Vibrant Wide Limited and Hong Kong Pictures International Limited directly held 277,979,625 Shares (among which 158,743,072 Shares were provided as security to a person other than a qualified lender) and 193,486,220 Shares in our Company, respectively. Vibrant Wide Limited is owned by Mr. Wang Changtian as to 100% of its equity interests. Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media, which is owned by Enlight Holdings as to approximately 42.52% of its equity interests, which in turn is owned by Mr. Wang Changtian as to 95% of its equity interests. Therefore, Mr. Wang Changtian is deemed to be interested in the 471,465,845 Shares held by Vibrant Wide Limited and Hong Kong Pictures International Limited for purpose of Part XV of the SFO.

Save as disclosed above, as at December 31, 2021, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2021, so far as the Directors or the chief executive of the Company were aware, the Substantial Shareholders, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
Vibrant Wide Limited	Beneficial owner	Long position	119,236,553	10.44
		Short Position	158,743,072	13.91
Hong Kong Pictures International Limited	Beneficial owner	Long position	193,486,220	16.95
Inspired Elite Investments Limited[1]	Beneficial owner	Long position	82,693,975	7.24
Meituan[1]	Interest in a controlled corporation	Long position	82,693,975	7.24
Crown Holdings Asia Limited[1]	Interest in a controlled corporation	Long position	82,693,975	7.24
Songtao Limited[1]	Interest in a controlled corporation	Long position	82,693,975	7.24
TMF (Cayman) Ltd.[1]	Trustee	Long position	82,693,975	7.24
Wang Xing[1]	Interest in a controlled corporation	Long position	82,693,975	7.24
Image Flag Investment (HK) Limited[2]	Beneficial owner	Long position	157,169,260	13.77
Tencent[2]	Interest in a controlled corporation	Long position	157,169,260	13.77
Weying (BVI) Limited	Beneficial owner	Long position	86,016,284	7.53
Interstellar Investment Ltd.[3]	Beneficial owner	Long position	66,127,317	5.79
NottingHill Investment Ltd.[3]	Interest in a controlled corporation	Long position	66,127,317	5.79
FountainVest China Capital Partners Fund III, L.P.[3]	Interest in a controlled corporation	Long position	66,127,317	5.79
FountainVest China Capital Partners GP3 Ltd.[3]	Interest in a controlled corporation	Long position	66,127,317	5.79

Notes:

1. Inspired Elite Investments Limited is wholly-owned by Meituan, which is owned as to 39.18% by Crown Holdings Asia Limited, which is in turn wholly-owned by Songtao Limited. Songtao Limited is in turn wholly-owned by TMF (Cayman) Ltd. and in turn wholly-owned by Mr. WANG Xing. Therefore, Meituan, Crown Holdings Asia Limited, Songtao Limited, TMF (Cayman) Ltd. and Mr. WANG Xing are deemed to be interested in the 82,693,975 shares held by Inspired Elite Investment Limited for purpose of Part XV of the SFO.

2. Image Flag Investment (HK) Limited is wholly-owned by Tencent. Therefore, Tencent is deemed to be interested in the 157,169,260 shares held by Image Flag Investment (HK) Limited for purpose of Part XV of the SFO.

3. Interstellar Investment Ltd. is wholly-owned by NottingHill Investment Ltd., which is owned as to 77.34% by FountainVest China Capital Partners Fund III, L.P., which is in turn wholly-owned by FountainVest China Capital Partners GP3 Ltd. Hence, NottingHill Investment Ltd., FountainVest China Capital Partners Fund III, L.P. and FountainVest China Capital Partners GP3 Ltd. are deemed to be interested in the Shares held by Interstellar Investment Ltd.

Save as disclosed above, as at December 31, 2021, so far as the Directors were aware, no other persons (other than the Directors or chief executive) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Employee Incentive Scheme" above, at no time during the year ended December 31, 2021 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

So far as the Directors or the chief executive of the Company were aware, the Company did not have any controlling shareholder for the year ended December 31, 2021.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 9 to the audited consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. Based on the information that is publicly available to the Company and to the best knowledge and information of the Directors, as at the date of this Annual Report, the number of Shares in public hands of the total issued share capital of the Company satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Stock Exchange from strict compliance with Rule 8.08(1) of the Listing Rules.

CONNECTED TRANSACTIONS

Details of our Group's continuing connected transactions during the Reporting Period are set out as follows:

I. Continuing Connected Transactions with the Enlight Media Group

Non-Exempt Continuing Connected Transactions

As Enlight Media is an associate of Mr. Wang Changtian who is a non-executive Director and a substantial Shareholder of the Company, the transactions with Enlight Media constitute connected transactions of the Company.

1. Enlight Movie and TV series Production Cooperation Framework Agreement

We entered into a movie and TV series production cooperation framework agreement with Enlight Media (for itself and on behalf of its subsidiaries (the "Enlight Media Group")) (the "Enlight Movie and TV series Production Cooperation Framework Agreement") on December 10, 2018, pursuant to which we and the Enlight Media Group agreed to make joint investments in production of movies and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels). Forms of cooperation under the Enlight Movie and TV series Production Cooperation Framework Agreement include but are not limited to the following:

- our Group and the Enlight Media Group will enter into an investment agreement with third party producers of the same movie or TV series; and
- either party (as a co-producer) will enter into an investment agreement with the other party (as a lead producer) to purchase a certain percentage of investment amount.

The aforementioned cooperation shall exclude any transactions which involve the formation of a joint venture entity in connection with or for the purpose of the joint investment in production of movies and TV series.

The initial term of the Enlight Movie and TV series Production Cooperation Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

The annual cap for the connected transaction for the year ended December 31, 2021 was RMB245.0 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB20.0 million.

2. Enlight Movie and TV series Promotion and Distribution Framework Agreement

2(a). Provision of Movie and TV series Promotion and Distribution Services by Our Group to the Enlight Media Group

We entered into a movie and TV series promotion and distribution framework agreement with Enlight Media (for itself and on behalf of its subsidiaries) (the "Enlight Movie and TV series Promotion and Distribution Framework Agreement") on December 10, 2018, pursuant to which our Group will provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to the Enlight Media Group, and service fees will be paid to us in respect of such services.

- Movies and TV series promotion services: we will plan and coordinate various marketing and promotional activities to optimize the performance of movies and TV series, including but not limited to, conducting marketing and publicity campaigns as well as organizing fans gatherings and road shows.

- Movies and TV series distribution services: we will coordinate the distribution of marketing materials to cinemas and TV stations, configure marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

The initial term of the Enlight Movie and TV series Promotion and Distribution Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

The annual cap for the connected transaction for the year ended December 31, 2021 was RMB350.0 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB19.0 million.

2(b). Provision of Movie and TV series Promotion and Distribution Services by the Enlight Media Group to Our Group

Pursuant to the Enlight Movie and TV series Promotion and Distribution Framework Agreement, the Enlight Media Group will also provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to our Group, and we will pay service fees to the Enlight Media Group. The principal terms are substantially the same as the terms on which we provide movie and TV series promotion and distribution services to the Enlight Media Group.

The annual cap for the connected transaction for the year ended December 31, 2021 was RMB130.0 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB2.3 million.

3. Enlight Business Collaboration and Services Framework Agreement

We entered into a business collaboration and services framework agreement with Enlight Media (for itself and on behalf of its subsidiaries) (the "Enlight Business Collaboration and Services Framework Agreement") on December 10, 2018, pursuant to which our Group and the Enlight Media Group will engage in the following collaboration from time to time.

- **Provision of prepaid card and voucher:** the Enlight Media Group will purchase prepaid card and voucher from us;

- **Provision of advertising services:** we will provide advertising services to the Enlight Media Group, and Enlight Media Group will pay service fees for such advertisement services;

- **Purchase of video display services:** the Enlight Media Group will display movies and videos which are legally owned by us or movies and videos which we have the right to display, on its platform as we request;

- **Purchase of media materials:** our Group will purchase certain media materials (e.g. customized posters, short videos and other promotional materials) from the Enlight Media Group that will be used in our advertising business and publicity activities during the movie and TV series distribution and promotion process; and

- **Purchase of other forms of advertisement resources:** our Group will purchase other forms of advertisement resources to be used in our advertising business and publicity activities from the Enlight Media Group. For example, we started to engage online key opinion leaders or artists managed by the Enlight Media Group to attend our publicity activities since the second half of 2018.

The initial term of the Enlight Business Collaboration and Services Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

The annual cap for the connected transaction of provision by the Group of products and services to Enlight Media Group for the year ended December 31, 2021 was RMB67.4 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB5.8 million.

The annual cap for the connected transaction of provision by Enlight Media Group of products and services to the Group for the year ended December 31, 2021 was RMB15.3 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB0.0 million.

II. Continuing Connected Transactions with the Represented Tencent Group

Non-exempt continuing connected transactions

As Tencent is a substantial Shareholder of the Company, the transactions with the Represented Tencent Group constitute connected transactions of the Company.

4. Tencent Movie and TV series Promotion and Distribution Framework Agreement

We entered into a movie and TV series promotion and distribution framework agreement with Tencent Computer (for itself and on behalf of its group members, excluding China Literature Limited and its subsidiaries, and Tencent Music Entertainment Group and its subsidiaries, (the "Represented Tencent Group")) (the "Tencent Movie and TV series Promotion and Distribution Framework Agreement") on January 9, 2019, pursuant to which we will provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to the Represented Tencent Group, and service fees will be paid to us in respect of such services.

The principal terms of the Tencent Movie and TV series Promotion and Distribution Framework Agreement, the reason for this transaction and the pricing policies of this transaction are substantially the same as those of the provision of movie and TV series promotion and distribution services by our Group to the Enlight Media Group as provided in the Enlight Movie and TV series Promotion and Distribution Framework Agreement.

On March 24, 2020, the Board resolved to revise the scope of service under the Tencent Movie and TV series Promotion and Distribution Framework Agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) by entering into the Supplemental Agreement. Pursuant to the Supplemental Agreement, the Represented Tencent Group will provide movie and TV series promotion and distribution services to the Company, and service fees will be payable by the Company to the Represented Tencent Group for such service. For details of the supplementary agreement, please refer to the announcement published by the Company on March 24, 2020.

The annual cap for the connected transaction for the provision of movie and TV series promotion and distribution services by the Group to the Represented Tencent Group for the year ended December 31, 2021 was RMB180.0 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB40.3 million.

The annual cap for the connected transaction for the provision of movie and TV series promotion and distribution services by the Represented Tencent Group to the Group for the year ended December 31, 2021 was RMB65.0 million, and the actual transaction amount for the year ended December 31,2021 was approximately RMB2.1 million.

5. **Payment Services Cooperation Framework Agreement**

We entered into a payment services cooperation framework agreement (the "Payment Services Cooperation Framework Agreement") with Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, pursuant to which the Represented Tencent Group will provide us with payment services through its payment channels so as to enable our users to conduct online transactions and we will pay service commissions to the Represented Tencent Group in respect of such services.

The initial term of the Payment Services Cooperation Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

The annual cap for the connected transaction for the year ended December 31, 2021 was RMB86.0 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB25.1 million.

6. **Cloud Services and Technical Services Framework Agreement**

We entered into a cloud services and technical services framework agreement (the "Cloud Services and Technical Services Framework Agreement") with Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, pursuant to which the Represented Tencent Group will provide cloud services and other technical services to us for service fees. Cloud services and other technical services include but not limited to provision of cloud services, cloud storage, technical support related to cloud services, and domain name resolution services.

The initial term of the Cloud Services and Technical Services Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

The annual cap for the connected transaction for the year ended December 31, 2021 was RMB93.0 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB14.9 million.

7. **Tencent Business Collaboration and Services Framework Agreement**

We entered into a business collaboration and services framework agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) (the "Tencent Business Collaboration and Services Framework Agreement") on January 9, 2019, pursuant to which our Group and the Represented Tencent Group will engage in the following collaboration from time to time.

- **Provision of prepaid card and voucher:** the Represented Tencent Group will purchase prepaid card and voucher from us;

- **Licensing of broadcasting rights:** our Group will license the broadcasting rights of entertainment content, including movies, concerts, live shows and other entertainment events, to the Represented Tencent Group for a licensing fee;

- **Provision of advertising services:** we will provide advertising services to the Represented Tencent Group, and the Represented Tencent Group will pay service fees for such advertisement services;

- **Provision of online entertainment event ticketing services:** our Group will provide online ticketing services to the Represented Tencent Group for service fees;

- **Purchase of advertising services:** the Represented Tencent Group will provide advertising services to us for service fees; and

- **Purchase of other forms of advertisement resources:** our Group will purchase other forms of advertisement resources to be used in our advertising business and publicity activities from the Represented Tencent Group. For example, we will engage online KOLs or artists managed by the Represented Tencent Group to attend our publicity activities.

The initial term of the Tencent Business Collaboration and Services Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

The annual cap for the connected transaction of provision by the Group of products and services to the Represented Tencent Group for the year ended December 31, 2021 was RMB185.0 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB15.2 million.

The annual cap for the connected transaction of provision by the Represented Tencent Group of products and services to the Group for the year ended December 31, 2021 was RMB33.3 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB1.5 million.

8. Tencent Entertainment Content Production Cooperation Framework Agreement

We entered into an entertainment content production cooperation framework agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) (the "Tencent Entertainment Content Production Cooperation Framework Agreement") on January 9, 2019, pursuant to which our Company (for itself and on behalf of our subsidiaries) and the Represented Tencent Group agreed to cooperate in making joint investments in the production of several types of entertainment content, including but not limited to, movies, TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels), concerts and live shows. Forms of cooperation under the Tencent Entertainment Content Production Cooperation Framework Agreement include but are not limited to the following:

- our Group and the Represented Tencent Group will enter into an investment agreement with third-party producers of the same entertainment content, respectively; and

- either party (as a co-producer) will enter into an investment agreement with the other party (as a lead producer) to purchase a certain percentage of investment amounts.

The aforementioned cooperation shall exclude any transactions which involve the formation of a joint venture entity in connection with or for the purpose of the joint investment in production of entertainment content.

The initial term of the Tencent Entertainment Content Cooperation Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

The annual cap for the connected transaction for the year ended December 31, 2021 was RMB353.4 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB120.0 million.

III. Continuing Connected Transaction with the Tencent Music Technology

Non-exempt continuing connected transaction

As TME is a subsidiary of Tencent, the transactions contemplated under the Music Copyright Licensing Cooperation Framework Agreement constitute continuing connected transactions of the Company.

9. Music Copyright Licensing Cooperation Framework Agreement

On December 16, 2020, we entered into the Music Copyright Licensing Cooperation Framework Agreement with Tencent Music Technology (for itself and on behalf of members of TME Group), pursuant to which the Group agreed to license its musical compositions, audio recordings, video recordings and movie-like works (well created music videos), including single music and original sound tapes (i.e. theme songs, ending songs, episodes, promotion songs and soundtracks, and the music videos of video and audio works including movies, TV series, online series and online movies, collectively the "OST") (collectively the "Musical Works"), of which the Group has copyrights and related rights, to TME Group, and TME Group shall pay license fees to the Group. Members of TME Group, or its authorized third party, are licensed to promote, use, sub-license and have right to defend the above-mentioned Musical Works.

The initial term of the Music Copyright Licensing Cooperation Framework Agreement with Tencent Music Technology started on December 16, 2020 and will end on December 31, 2022, which can be extended by a written agreement between the two parties.

The annual cap for the connected transaction for the year ended December 31, 2021 was RMB25.0 million, and the actual transaction amount for the year ended December 31, 2021 was approximately RMB3.2 million.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

On August 20, 2021, we and the Enlight Media Group agreed to renew aforementioned the Enlight Movie and TV Series Production Cooperation Framework Agreement, the Enlight Movie and TV Series Promotion and Distribution Framework Agreement, and the Enlight Business Collaboration and Services Framework Agreement, each with effect from January 1, 2022 to December 31, 2024.

On August 20, 2021, we and the Represented Tencent Group agreed to renew aforementioned the Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the Payment Services Cooperation Framework Agreement, the Cloud Services and Technical Services Framework Agreement, the Tencent Business Collaboration and Services Framework Agreement, and the Tencent Entertainment Content Production Cooperation Framework Agreement, each with effect from January 1, 2022 to December 31, 2024.

For more details of the renewal of continuing connected transactions, please refer to the announcement and circular of the Company dated August 20, 2021 and November 10, 2021, respectively.

ANNUAL REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITOR

The independent non-executive Directors reviewed the aforesaid continuing connected transactions, and confirmed that these continuing connected transactions:

(a) were entered into in the ordinary and usual course of business of the Group;

(b) were either on normal commercial terms or better; and

(c) were conducted in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company performed certain agreed-upon procedures regarding the continuing connected transactions entered into by the Group during the year ended 31 December 2021, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, as set out above and confirms that:

(1) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

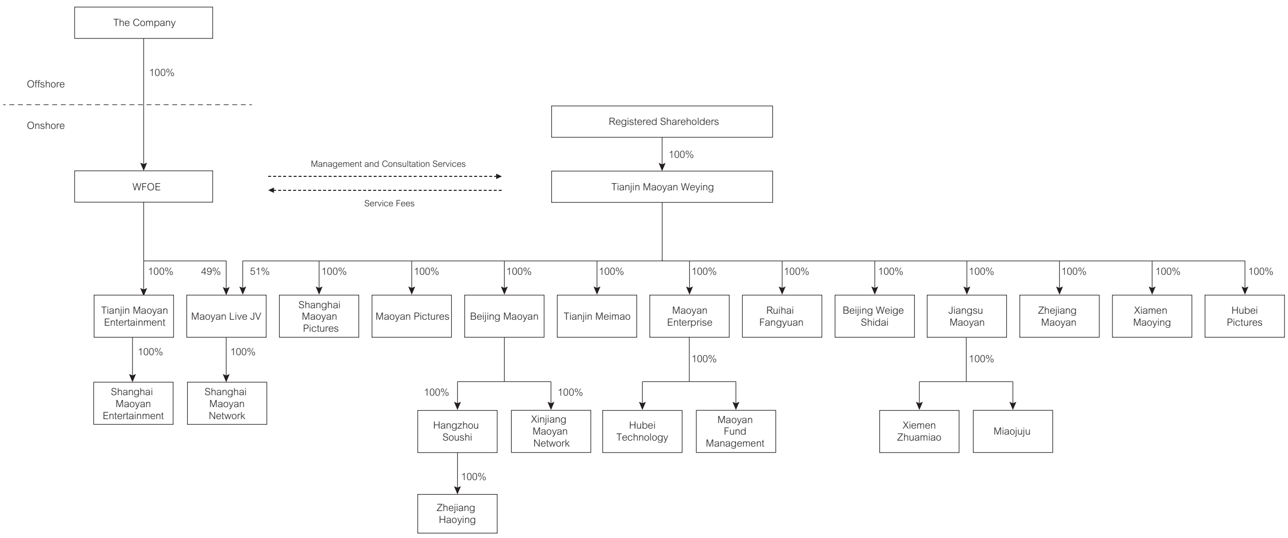
Saved as disclosed in this annual report, none of the related party transactions as disclosed in note 34 to the audited consolidated financial statements constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held by Enlight Holdings, Enlight Media, Shanghai Sankuai Technology, Beijing Shiji Weying and Linzhi Lixin and Historical ESOP Platforms. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefit from our Consolidated Affiliated Entities in consideration for the services provided by Maoyan Technology to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

Directors' Report

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements as at December 31, 2021:



Notes:

"——————➤" denotes direct legal and beneficial ownership in the equity interest.

"- – – – – –➤" denotes contractual relationship.

(1) Maoyan Enterprise is an investment holding company which holds, directly or indirectly, minority equity investments, amounted to approximately RMB69.3 million, in certain companies ("Investee Companies") which engage in businesses subject to foreign investment prohibition or restriction, including value-added telecommunication service, radio and television program production and internet audio-visual programs. Most of the investments are passive and are non-controlling interests that are classified as investments accounted for using the equity method and financial assets at fair value through profit or loss/other comprehensive income. As advised by our PRC legal advisor, foreign investors are either prohibited or restricted from holding equity interest in companies conducting such businesses. The financial results of the Investee Companies are not consolidated into our financial statements and do not form part of our Group, and our minority investment interests in the Investee Companies are immaterial to our financial and operational results. In addition, on 9 August 2021, Maoyan Enterprise invested in a non-wholly owned subsidiary, Hubei Maoyan Culture Technology Co., Ltd.(湖北貓眼文化科技有限公司) ("Hubei Technology"), which has become a Consolidated Affiliated Entity since its incorporation. Hubei Technology will be engaged in the businesses such as film investment and distribution. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements. On 4 June 2021, Maoyan Enterprise established a wholly-owned subsidiary, Maoyan (Xiamen) Private Equity Fund Management Limited (貓眼(廈門)私募基金管理有限公司) ("Maoyan Fund Management"), which has been a Consolidated Affiliated Entity since its incorporation. The company intends to engage in the private equity fund management business, focusing primarily on the field of private equity investment funds in the film and television industry, and it is in the process of applying for private fund management qualification. According to the PRC legal adviser providing legal services for the fund business, foreign investors are prohibited or restricted from holding equity interests in the companies primarily engaged in the business of film production, distribution and introduction as well as radio and television program production (including introduction).

(2) On March 25, 2021, Jiangsu Maoyan established a wholly-owned subsidiary, Xiamen Zhuamiao Media Co., Ltd. (廈門爪喵傳媒有限公司) ("Xiamen Zhuamiao"), which has become a Consolidated Affiliated Entity since its incorporation. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements. Xiamen Zhuamiao was established for engaging in the TV series production and distribution. Currently, the company is deregistered due to the change in business plan.

(3) On April 2, 2021, Jiangsu Maoyan established a wholly-owned subsidiary, Xiamen Miaojuju Media Co., Ltd (廈門喵劇劇傳媒有限公司) ("Miaojuju"), which has become a Consolidated Affiliated Entity since its incorporation. Miaojuju intends to engage in the businesses such as TV series production and distribution. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements.

(4) On August 18, 2021, Tianjin Maoyan Weying established a wholly-owned subsidiary, Hubei Maoyan Pictures Co., Ltd. (湖北貓眼影業有限公司) ("Hubei Pictures"), which has become a Consolidated Affiliated Entity since its incorporation. Hubei Pictures will conduct the business of movie production and distribution. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements.

SUMMARY OF MAJOR TERMS UNDER THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Consultation and Service Agreement

Pursuant to the amended and restated exclusive consultation and service agreement dated August 9, 2018 between Tianjin Maoyan Weying and the WFOE (the "Exclusive Consultation and Service Agreement"), Tianjin Maoyan Weying agreed to engage the WFOE as its exclusive provider of technical support, consultation and other services, including the following services:

- providing information consultation services in respect of the Consolidated Affiliated Entities' business;
- providing business management consultation;
- providing technical support and professional training services to relevant staff of the Consolidated Affiliated Entities;
- providing order management and customer services;
- providing marketing and promotion services;

- assisting Consolidated Affiliated Entities in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under PRC laws);

- design, development, maintenance and updating of software in respect of the Consolidated Affiliated Entities' business;

- license and authorization of use of the software, trademarks, domain names and various other types of intellectual properties owned by the WFOE;

- design, installation, daily management, maintenance and updating of network systems, hardware and database;

- maintenance of the local area network of the Consolidated Affiliated Entities' business and anti-virus and security management of the network of the Consolidated Affiliated Entities' business;

- assisting Consolidated Affiliated Entities for transfer, leasing and disposal of equipment and properties;

- providing on-site services upon request from the Consolidated Affiliated Entities, arranging engineers to provide on-site assistance for conferences and other relevant technical support and consultation services; and

- other relevant services requested by the Consolidated Affiliated Entities from time to time to the extent permitted under PRC laws.

Under the Exclusive Consultation and Service Agreement, the service fee shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of service fees according to PRC tax law and tax practices, and Tianjin Maoyan Weying will accept such adjustments. The WFOE shall calculate the service fees on a monthly basis and issue a corresponding invoice to Tianjin Maoyan Weying. Tianjin Maoyan Weying shall make payment to the bank account designated by the WFOE within 10 days upon receipt of the invoice and send payment certificates to the WFOE.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Consultation and Service Agreement, with respect to the services subject to the Exclusive Consultation and Service Agreement and other matters, the Consolidated Affiliated Entities shall not directly or indirectly accept the same or any similar services provided by any third party, establish cooperation relationships similar to that formed by the Exclusive Consultation and Service Agreement with any third party, or in its own initiative perform any acts which might affect the confidentiality of the technology and secrets involved in the service provided by the WFOE or the effectiveness and efficiency of the technical supports or allow any third party to do the same. The WFOE may appoint other parties, who may enter into certain agreements with the Consolidated Affiliated Entities, to provide the Consolidated Affiliated Entities with the services under the Exclusive Consultation and Service Agreement.

The Exclusive Consultation and Service Agreement also provide that the WFOE has the exclusive proprietary rights to and relevant interests in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Consultation and Service Agreement.

The validity period of the Exclusive Consultation and Service Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) by agreement between the WFOE and Tianjin Maoyan Weying; or (b) by a written notice from the WFOE at least 30 days before termination. Tianjin Maoyan Weying is not entitled to unilaterally terminate the agreement. Upon expiration of the agreement and if the WFOE intends to extend it, Tianjin Maoyan Weying shall accept the extension without conditions.

Exclusive Option Agreement

Pursuant to the amended and restated exclusive equity transfer option agreement dated August 9, 2018 among Tianjin Maoyan Weying, the WFOE and the Registered Shareholders (the "Exclusive Option Agreement"), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Tianjin Maoyan Weying to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time. Tianjin Maoyan Weying and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of the Consolidated Affiliated Entities, increase or decrease their registered capital, or change the structure of their registered capital in other manner;

- they shall maintain the Consolidated Affiliated Entities' corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs;

- without the prior written consent of the WFOE, they shall not and shall procure its subsidiaries not, at any time following the date when the Exclusive Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any assets of more than RMB5,000,000, business, operation rights or legitimate interest in the income of Tianjin Maoyan Weying;

- without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not incur, inherit, guarantee or assume any debt, except for payables incurred in the ordinary course of business not generated from loans;

- the Consolidated Affiliated Entities shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;

- without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to execute any material contract with a value of more than RMB5,000,000, except the contracts executed in the ordinary course of business;

- without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to provide any person with any loan or credit, or guarantee for any third-party debt;

- they shall provide the WFOE with information on the Consolidated Affiliated Entities' business operations and financial condition at the request of the WFOE;

- if requested by the WFOE, they shall procure and maintain insurance in respect of the Consolidated Affiliated Entities' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;

- without the prior written consent of the WFOE, they shall not cause or permit the Consolidated Affiliated Entities to merge, consolidate with, acquire or invest in any person;

- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Consolidated Affiliated Entities' assets, business or revenue, as well as any circumstances which may adversely affect the Consolidated Affiliated Entities' existence, business operation, financial situation, assets or goodwill;

- to maintain the ownership by the Consolidated Affiliated Entities of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;

- without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not in any manner distribute profits or dividends to their shareholders, provided that upon the request of the WFOE, the Consolidated Affiliated Entities shall immediately distribute all distributable profits to their shareholders;

- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors, supervisors and senior management of the Consolidated Affiliated Entities, replace or remove the directors, supervisors and senior management of the Consolidated Affiliated Entities, and go through all relevant resolution procedures and filings;

- without the written consent of the WFOE, the Consolidated Affiliated Entities shall not engage in any business in competition with the WFOE or its affiliates;

- unless otherwise mandatorily required by PRC laws, the Consolidated Affiliated Entities shall not be dissolved or liquidated without prior written consent by the WFOE;

- if the exercise of the rights by the WFOE is obstructed due to the Consolidated Affiliated Entities' or any of their shareholders' non-compliance of their tax duties under applicable laws, the WFOE shall have the right to require them to fulfill such tax duties;

- in the event of bankruptcy, dissolution, liquidation, death or loss of legal capacity (if applicable) of any of Consolidated Affiliated Entities' shareholders, or other circumstances that may affect the Consolidated Affiliated Entities' equity interests, any successor of an existing shareholder shall be deemed to be a party to the Exclusive Option Agreement. The Consolidated Affiliated Entities shall, on or before the day of signing this agreement to make everything properly arranged and signed in order to ensure the documentations, in the event of bankruptcy, dissolution, liquidation, death, incapacity or divorce (if applicable) and any circumstance of their shareholders, will not affect or hinder the fulfillment of the Exclusive Option Agreement. The Exclusive Option Agreement and other contractual arrangements shall prevail any form of agreements relating to disposition of interests in the Consolidated Affiliated Entity unless prior written consent from the WFOE is obtained;

- without the prior written consent of the WFOE, the Consolidated Affiliated Entities will not and shall not assist or permit their shareholders to transfer or otherwise dispose of any option equity or to establish any security interest or other third-party rights on any option equity; and

- if signing and performance of the Exclusive Option Agreement and the stock transfer options granted under the Exclusive Option Agreement shall require any third party's consent, permission, waiver, authorization or any governmental agency's approval, license, immunity, registration or filing in accordance with the law, the Consolidated Affiliated Entities shall make every endeavour to help satisfy the above conditions.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Tianjin Maoyan Weying, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement and the interests prescribed in the Proxy Agreement;

- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Tianjin Maoyan Weying to vote on the approval of the transfer of equity interests and any other action requested by the WFOE;

- Registered Shareholders whose equity interest has not been transferred shall relinquish the pre-emptive right (if any) it is entitled to in relation to the transfer of equity interest by any other shareholders to the WFOE and/or any entity or individual appointed by the WFOE pursuant to Exclusive Option Agreement;

- without the written consent of the WFOE, each of the Registered Shareholders shall not request Tianjin Maoyan Weying to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions. In any event, unless decided otherwise by the WFOE, if any Registered Shareholder receives corporate income, profits or dividends from Tianjin Maoyan Weying, they shall pay or transfer the received income, profits, dividends to the WFOE or any party designated by the WFOE to the extent allowed by the PRC laws; and

- Registered Shareholders shall also strictly comply with the provisions of the Exclusive Option Agreement between Registered Shareholders, the Consolidated Affiliated Entity and the WFOE, and shall faithfully perform the obligations under such agreements and shall not conduct any act and/or omission which shall affect the validity and enforceability of such agreements. If any Registered Shareholder retains any rights on the equities as in the Equity Pledge Agreement or the Proxy Agreement, it shall not exercise such rights unless instructed in writing by the WFOE.

The validity period of the Exclusive Option Agreement shall start from the execution date and it shall remain effective unless terminated if the entire equity interests held by the Registered Shareholders or their successors or the transferees in Tianjin Maoyan Weying have been transferred to the WFOE or their appointee(s).

Equity Pledge Agreement

Pursuant to the amended and restated equity pledge agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and each of the Registered Shareholders (the "Equity Pledge Agreement"), the Registered Shareholders agreed to pledge all their respective equity interests in Tianjin Maoyan Weying that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of Tianjin Maoyan Weying takes effect upon the completion of change of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Tianjin Maoyan Weying under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Tianjin Maoyan Weying under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), unless such default is cured within twenty days following the Registered Shareholders or Tianjin Maoyan Weying's receipt of the written notice which requests for the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders.

The equity pledge registrations under the Equity Pledge Agreement as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreement and PRC laws and regulations.

Proxy Agreement

Pursuant to the amended and restated proxy agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and the Registered Shareholders (collectively, the "Proxy Agreement"), pursuant to which, each of the Registered Shareholders irrevocably and exclusively appointed the persons designated by the WFOE (including but not limited to Directors of the WFOE's parent company, Maoyan Entertainment, and their successors and liquidators replacing the Directors but excluding those who are non-independent or who may give rise to conflict of interests) as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Tianjin Maoyan Weying, including without limitation:

- to propose to convene and to attend shareholders' meetings of Tianjin Maoyan Weying and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;

- to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Tianjin Maoyan Weying, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Tianjin Maoyan Weying;
- to nominate, elect, appoint or remove the legal representatives, directors, supervisors, general manager, chief financial officer and other senior management of Tianjin Maoyan Weying;
- to supervise business performance, approve annual budget, declare dividends, and consult financial information of Tianjin Maoyan Weying;
- to permit Tianjin Maoyan Weying to submit any registration documents to relevant governmental authorities and to file documents with company registry;
- to exercise voting rights on behalf of the shareholders on liquidation of Tianjin Maoyan Weying;
- If the act of directors and/or senior management harms the interests of Tianjin Maoyan Weying or its shareholders, to file a shareholder action against such directors and/or senior management or to take other legal actions;
- to approve amendments on the articles of association; and
- to exercise any other rights granted to shareholders pursuant to Tianjin Maoyan Weying's articles of association or relevant laws and regulations.

On June 30, 2019, NDRC and the MOFCOM issued Order No.25, and promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (the "Negative List (2019)") (2019 Edition, which came into force from July 30, 2019). As advised by our PRC Legal Advisor, the Negative List (2019) has cancelled foreign investment restrictions for the performance brokerage business, and according to our communication with the competent culture department of Tianjin, it began to accept applications for performance brokerage licenses for wholly foreign-owned enterprises at the end of 2019. Based on this, the performance brokerage business of Maoyan Live JV, our Consolidated Affiliated Entities, is no longer subject to the limit of not more than 50% foreign investment at the time of its establishment. Accordingly, after seeking the advice of our PRC legal advisor, WFOE has established its wholly-owned subsidiaries, namely Tianjin Maoyan Entertainment and Shanghai Maoyan Entertainment, and will apply for a commercial performance license in accordance with the law and take all internal performance business in the group upon meet legal qualifications. Subject to the COVID-19 pandemic in 2020 and 2021, etc., the application was delayed and Tianjin Maoyan Entertainment is using its commercial efforts to obtain the commercial performance license. After the transfer of the performance brokerage business, Maoyan Live JV and its subsidiaries will gradually cease operations until it is deregistered.

For the year ended December 31, 2021, save for the release of the Special Administration Measures for Access of Foreign Investment (Negative List) (2021 Edition) (the "Negative List (2021)"), which was issued on December 27, 2021 and came into force from January 1, 2022 and replaced the aforesaid Negative List (2019) and the Company has therefore taken active measures, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2021, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue of the Consolidated Affiliated Entities amounted to RMB1,255 million for the year ended December 31, 2021, representing a increase of 107.8% from RMB604 million for the year ended December 31, 2020. As of December 31, 2021, the total assets of the Consolidated Affiliated Entities amounted to RMB7,370 million, representing approximately 66.8% of the total assets of our Group.

Reasons for Adopting the Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Catalogue of Encouraged Industries for Foreign Investment (2020 Edition) (the "Catalogue") and the Negative List (2021), which have been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Catalogue and the Negative List (2021) divide industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encouraged", "restricted" and "prohibited" categories).

As advised by our PRC legal advisor, our (i) value-added telecommunication services business; (ii) movie distribution; and (iii) radio and television program production conducted by our Consolidated Affiliated Entities are subject to foreign investment restriction or prohibition in accordance with the Catalogue and the Negative List (2021).

In order to maintain our business operations in compliance with the applicable PRC laws and regulations, the Company, as a foreign investor under the current regulatory regime, has adopted the Contractual Arrangements, which allow the Company to exercise control over the business operation of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom.

For details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements – PRC Regulatory Background" and "Contractual Arrangements – Qualification Requirements under the FITE Regulations" on pages 270 to 275, and the section headed "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment" on pages 291 to 295 of the Prospectus.

Risks Relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements:

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretation change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

- Our contractual arrangements may not be as effective in providing operational control as direct ownership. Tianjin Maoyan Weying or its shareholders may fail to perform their obligations under our contractual arrangements.

- We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The shareholders and directors of Tianjin Maoyan Weying may have conflicts of interest with us, which may materially and adversely affect our business.

- If we exercise the option to acquire equity ownership or assets of Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

- Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our profit and the value of the Shareholders' investment.

Further details of these risks are set out in the section headed "Risk Factors – Risks Relating to Our Contractual Arrangement" on pages 59 to 65 of the Prospectus.

The Foreign Investment Law

The Foreign Investment Law (外商投資法) (the "FIL") promulgated by the National People's Congress on March 15, 2019 and Implementation Regulations for Foreign Investment Law promulgated by the State Council of China on December 26, 2019 (the "Implementation Regulations for FIL") have taken effect on January 1, 2020. The FIL replaces the existing laws regulating foreign investments in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The FIL and Implementation Regulations for FIL embody an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL and Implementation Regulations for FIL do not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "actual control" and "controlling through contractual arrangements" nor does it specify the regulation on controlling through contractual arrangements. Furthermore, the FIL and Implementation Regulations for FIL do not specifically stipulate rules on the Relevant Businesses. Instead, the FIL and Implementation Regulations for FIL stipulate that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". In addition, the FIL and Implementation Regulations for FIL do not specify what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens. Therefore, as advised by our PRC Legal Advisor, our Contractual Arrangements are currently not affected by the FIL and Implementation Regulations for FIL.

Nevertheless, there are possibilities that future laws, administrative regulations or provisions of the State Council of PRC may stipulate contractual arrangements as a way of foreign investments, and then whether our Contractual Arrangements will be recognized as foreign investments, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be dealt with are uncertain.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(3) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and

(4) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and review the legal compliance of our WFOE and Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

FROZEN EQITY INTERESTS OF TIANJIN MAOYAN WEYING

Reference is made to the announcement of the Company dated March 24, 2022, Beijing Shiji Weying, and its affiliated company, Beijing Weying Shidai(together with Beijing Shiji Weying, the "Weying Entities"), have been involved in certain lawsuits as defendants in the PRC and the equity interests held by Beijing Shiji Weying in Tianjin Maoyan Weying (the "Frozen Equity Interests")were frozen by courts accordingly (i.e. Document 2021 Jing 01 Cai Bao 159 and Document 2021 Jing 04 Zhi 480). As at the date of this report, the freeze under Document 2021 Jing 01 Cai Bao 159 is released as shown on National Enterprise Credit Information Publicly System, and the Company is advised by Weying Entities that Beijing Weying Shidai is currently in the process of reaching a dispute settlement agreement with plaintiff to unfreeze the Frozen Equity Interests under Document 2021 Jing 04 Zhi 480.

In response to the above lawsuits, Weying Entities co-issued a letter of confirmation (the "Confirmation") to Tianjin Maoyan Weying and WFOE, pursuant to which Weying Entities undertook to comply with and fulfil the terms and conditions, responsibilities and obligations under the Contractual Arrangements including but not limited to fully cooperating with the WFOE's instructions when the WFOE exercises its irrevocable and exclusive right to purchase the Frozen Equity Interests, or transfer the Frozen Equity Interests to the WFOE's assignee at the WFOE's request.

The Directors, based on the advice of Company's PRC legal advisors, consider that the Contractual Arrangements and the Confirmation are in compliance with relevant PRC laws and regulations and are legally binding and enforceable. There is no material adverse impact on the Contractual Arrangements.

For other details, please refer to Note 39 to the audited consolidated financial statements.

WAIVERS GRANTED BY THE STOCK EXCHANGE

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules; and(ii)the requirement of setting an annual cap for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long asour Share are listed on the Stock Exchange, subject to the certain conditions as disclosed on pages 253 to 256 of the Prospectus.

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(i) the transactions carried out during the year ended December 31, 2021 have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2021; and

(iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended December 31, 2021 are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

Confirmations from the Auditor

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid Contractual Arrangements:

(i) nothing has come to their attention that causes the Auditor to believe that the disclosed transactions under the Contractual Arrangements have not been approved by the Board;

(ii) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and

(iii) nothing has come to their attention that causes the Auditor to believe that there were dividends or other distributions declared and/or distributed by our Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to our Group.

Directors' Report

AUDIT COMMITTEE

The Audit Committee had reviewed together with the Board the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2021.

AUDITOR

The financial statements of the Group for the year ended December 31, 2021 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, have offered itself for re-appointment as auditor at the AGM. The Company has not changed auditor during any of the past three years.

A resolution will be proposed at the AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company and to authorize the Board to re-authorize the executive Director or the management to fix the remuneration of auditor.

By order of the Board
Maoyan Entertainment
Executive Director
ZHENG Zhihao
Hong Kong, March 24, 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the interest of the Company and its Shareholders.

The Board considered that the Company had complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period. Unless otherwise stated, reference of the code provisions made in this corporate governance report in relation to the Corporate Governance Code is referred to the provisions contained in the Appendix 14 to the Listing Rules in force during the year ended December 31, 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

THE BOARD OF DIRECTORS

Board composition

The Board currently comprises one executive Director, seven non-executive Directors and four independent non-executive Directors. The composition of the Board during the Reporting Period and as of the date of this Annual Report is set out as follows:

Executive Director

Mr. Zheng Zhihao *(Chief Executive Officer)*

Non-Executive Directors

Mr. Wang Changtian[1] *(Chairman)*
Ms. Li Xiaoping
Ms. Wang Jian[2]
Mr. Cheng Wu
Mr. Chen Shaohui
Mr. Lin Ning
Mr. Tang Lichun, Troy

Independent Non-Executive Directors

Mr. Wang Hua
Mr. Chan Charles Sheung Wai
Mr. Yin Hong
Ms. Liu Lin

Notes:

1. Mr. Wang Changtian is the brother of Ms. Wang Jian.

2. Ms. Wang Jian is the sister of Mr. Wang Changtian.

The biographical details of the Directors are set out in the section headed "Profiles of Directors and Senior Management" in this Annual Report.

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

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Chairman and Chief Executive Officer

The positions of the chairman ("Chairman") and the chief executive officer ("Chief Executive Officer") of the Company are held separately. The role of Chairman is held by Mr. Wang Changtian, and the role of Chief Executive Officer is held by Mr. Zheng Zhihao. The Chairman is responsible for chairing the general meetings and board meetings of the Company, making decision on and guiding the Company for the significant matters in respect of the Company's external affairs and financial planning and the Company's important business activities. The Chief Executive Officer is responsible for operating management and the daily management of Company's business, making decision on the Company's major plan and development and investment proposals, and leading and managing the Company's business with the delegated power.

The division of responsibilities between the Chairman and the Chief Executive Officer is defined and established in writing.

Board Meetings, Board Committees Meetings and General Meetings

The attendance record of each director at the board meetings, general meetings and board committee meetings held during the Reporting Period is set out in the table below:

	Number of meetings attended/held				
Name of directors	Board meeting	General meeting	Audit committee	Nomination committee	Remuneration committee
Executive director					
Mr. Zheng Zhihao	5/5	2/2	N/A	1/1	2/2
Non-executive director					
Mr. Wang Changtian	5/5	2/2	N/A	N/A	N/A
Ms. Li Xiaoping	5/5	0/2	N/A	N/A	N/A
Ms. Wang Jian	5/5	1/2	N/A	N/A	N/A
Mr. Cheng Wu	5/5	0/2	N/A	N/A	N/A
Mr. Chen Shaohui	5/5	0/2	N/A	N/A	N/A
Mr. Lin Ning	5/5	0/2	N/A	N/A	N/A
Mr. Tang Lichun, Troy	5/5	0/2	N/A	N/A	N/A
Independent non-executive director					
Mr. Wang Hua	5/5	2/2	3/3	1/1	2/2
Mr. Chan Charles Sheung Wai	5/5	2/2	3/3	1/1	N/A
Mr. Yin Hong	5/5	0/2	N/A	N/A	N/A
Ms. Liu Lin	5/5	0/2	3/3	N/A	2/2

Corporate Governance Report

During the Reporting Period, the Company held 5 board meetings, and the chairman held one meeting with the independent non-executive directors without the presence of other Directors.

The 2021 annual general meeting of the Company was held at No. 3 Building, Yonghe Hangxing Garden, No. 11 Hepingli East Street, Dongcheng District, Beijing, the PRC on June 28, 2021, considered and approved the resolutions regarding audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors of the Company and auditor for the year ended December 31, 2020, re-election of retiring directors and authorize the Board to fix remuneration of the Directors, re-appointment of PricewaterhouseCoopers as the auditor of the Company and authorize the Board, executive Directors and management of the Company to fix the remuneration of the auditor, granting of general mandates to issue new shares and to repurchase shares, granting of annual mandate to issue shares under the RSU scheme and granting of options to the executive Director and CEO of the Company.

Appointment, Re-election and Removal of Directors

Each of the Directors (including the non-executive Directors and independent non-executive Directors) has entered into a service contract or appointment letter with the Company. Terms of the Directors are set out in the section headed "Directors' Report – DIRECTORS' SERVICE CONTRACTS" of this Annual Report.

In accordance with the Articles of Association, all Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

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

In accordance with Article 109(a) of the Articles of Association, Mr. Wang Changtian, Mr. Cheng Wu, Mr. Chen Shaohui and Mr. Wang Hua shall retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

Directors' Responsibilities for Financial Statements

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

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The reporting responsibilities of the Company's external auditor on the financial statements of the Group are set out in the section headed "Independent Auditor's Report" in this Annual Report.

Responsibilities of and Delegation by the Board

The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports at the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation of the Group and management of the Company are delegated to the management of the Company.

The Board and the management have clearly defined their authorities and responsibilities under various internal control and check and balance mechanisms. The Board does not delegate matters to the Board committee(s), executive Directors or the management to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions.

Corporate Governance Report

Continuous Professional Development

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

During the Reporting Period, a consultancy advisor was appointed to provide training (both online and onsite) to the directors, including, among others, Director's management on ESG and integrity construction as well as other matters.

Directors	Attending training session	Reading regulatory materials
Executive Director		
Mr. Zheng Zhihao	✓	✓
Non-Executive Directors		
Mr. Wang Changtian	✓	✓
Ms. Li Xiaoping	✓	✓
Ms. Wang Jian	✓	✓
Mr. Cheng Wu	✓	✓
Mr. Chen Shaohui	✓	✓
Mr. Lin Ning	✓	✓
Mr. Tang Lichun, Troy	✓	✓
Independent Non-Executive Directors		
Mr. Wang Hua	✓	✓
Mr. Chan Charles Sheung Wai	✓	✓
Mr. Yin Hong	✓	✓
Ms. Liu Lin	✓	✓

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

- to review the Company's compliance with the code provisions of the CG Code and disclosure in the corporate governance report under the Listing Rules.

The Board has reviewed the policies and practices on corporate governance and this corporate governance report.

BOARD COMMITTEES

The Company has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chan Charles Sheung Wai, Mr. Wang Hua and Ms. Liu Lin. Mr. Chan Charles Sheung Wai currently serves as the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are as follows:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

2. to review the financial information and relevant disclosures of the Company;

3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;

4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;

5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

6. to facilitate communications and monitor the relationship between the internal audit and supervision department and the external accounting firm;

7. to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and

8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During the Reporting Period, the Audit Committee held three meetings, at each of which, the external auditor was invited without the presence of the executive Directors.

The Audit Committee held a meeting on March 29, 2021 and reviewed, among other things, the audited consolidated results of the Group for the year ended December 31, 2020 and the effectiveness of the risk management and internal control systems of the Company, etc. On August 19, 2021, another meeting was held to review, inter alia, the unaudited consolidated results of the Group for the six months ended June 30, 2021, etc.

PricewaterhouseCoopers ("PwC") is the appointed auditor of the Group. The Audit Committee annually reviews the relationship between the Company and PwC. In addition, the Audit Committee has also reviewed the effectiveness of external audit procedures and the independence and objectiveness of PwC, and is satisfied with the existence of the good relationship. As a result, the Audit Committee recommends the reappointment of PwC at the forthcoming AGM.

Nomination Committee

The Nomination Committee consists of two independent non-executive Directors, namely Mr. Wang Hua and Mr. Chan Charles Sheung Wai and one executive Director, namely Mr. Zheng Zhihao. Mr. Wang Hua currently serves as the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee are as follows:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

3. to preliminarily examine the eligibility of candidates for Directors and senior management;

4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and

5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During the Reporting Period, the Nomination Committee held one meeting.

The Nomination Committee held a meeting on March 29, 2021 and reviewed, among other things, the structure, size and composition of the Board, assessed the independence of independent non-executive Directors to determine their eligibility and discussed reelection of retiring directors and succession planning for directors, assessed whether non-executive directors are devoting sufficient time to their duties and discussed the renewal of directors' service contracts for those whose service has expired, etc.

Remuneration Committee

The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Wang Hua and Ms. Liu Lin, and one executive Director, namely Mr. Zheng Zhihao. Mr. Wang Hua currently serves as the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee are as follows:

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During the Reporting Period, the Remuneration Committee held two meetings and reviewed, among other things, the grant of options to executive Directors and Chief Executive Officer, the remuneration package of the Directors and the remuneration policy and structure of the Group's senior management as well as make recommendations to the Board in these regard.

BOARD DIVERSITY POLICY

The Group adopted a board diversity policy (the "Board Diversity Policy") on 10 January 2019. A summary of this policy is disclosed as below:

The purpose of the Board Diversity Policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Nomination Committee has primary responsibility for identifying candidates, formulating selection standards and procedures, and examining candidates for directors and senior management of the Company, and providing recommendations on the selection. The Nomination Committee will give adequate consideration to this policy in identifying and selecting suitably qualified candidates to become directors of the Company.

Selection of director candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee is responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The Nomination Committee shall review the Board Diversity Policy and the measurable objectives at least annually to ensure the continuing effectiveness of the Board.

As of the date of this Annual Report, the Company has a total of 12 Directors, covering different gender and a broad age distribution. There is a diverse mix of experience and background including Internet and media, information technology, human resource, investment and accounting. The Nomination Committee has reviewed the Board Diversity Policy and considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives.

NOMINATION POLICY

The Company adopted a policy for nomination on March 25, 2019, pursuant to which, the Nomination Committee shall advise the Board on the appointment of any director in accordance with the following procedures and process:

1. The Nomination Committee shall, upon completing the assessment over the current composition and size of the Board, produce a description of the responsibilities and capabilities required for the specific appointment with reference to the findings of such assessment.

2. Taking into consideration these conditions of identifying or selecting suitable candidates, the Nomination Committee may seek any source of assistance as it sees fit, including referrals from existing directors, use of public advertisement or external consultancy services, and recommendations from the shareholders of the Company.

3. The Nomination Committee shall conduct preliminary review over the qualifications and conditions of the candidates for directorship before recommending suitable candidates for directorship to the Board, while the Remuneration Committee shall review the letter of appointment or major terms of such appointment in regard to the candidates for directorship.

4. As for the procedures for shareholders to nominate a person for election as a director, please refer to the "Procedures for Shareholders to Nominate a Person for Election as a Director" set out on the website of the Company.

5. The Board is entitled to final decision in connection with all matters involving election of the recommended candidates at a general meeting.

In assessing the candidates, the Nomination Committee shall take into the following factors, including but not limited to:

– reputation for individual character, integrity, and others;

– achievements and experiences in the related industry;

- time available for performing duties;
- diversity of the Board in various aspects, including but not limited to gender, age, cultural and education backgrounds, ethnicity, professional experiences, skills, knowledge, and length of services;
- independence from the Company, as well as potential or actual conflict of interest; and
- potential contributions to the Board.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Details of the remuneration of the Directors are set out in Note 38 to the audited consolidated financial statements. Save as disclosed therein, there is other individual of senior management. Pursuant to paragraph B.1.5 of the CG Code, their remuneration by band for the year ended December 31, 2021 is set out below:

Remuneration bands	**Number of individual**
RMB1 to RMB5,000,000	–
RMB5,000,001 to RMB10,000,000	–
RMB10,000,001 to RMB50,000,000	1
RMB50,000,001 to RMB100,000,000	–

EXTERNAL AUDITOR'S REMUNERATION

The remunerations paid or payable to the external auditor of the Company in respect of audit and non-audit services provided to the Group for the year ended December 31, 2021 are set out as below. The amount of audit services fee also included the service fee in connection with the Initial Public Offering. The non-audit services conducted by the Auditor mainly include professional services on tax advisory and environmental, social and governance report advisory.

	Fees payable or paid RMB'000
Services Category	
Audit Services	6,300
Non-audit Services	386
Total Fees	6,686

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control systems of the Company. The Board is committed to implementing an effective and sound risk management and internal control system to safeguard the interest of our shareholders and the assets of the Company. The Board has appointed the management to implement the risk management and internal control system within the delegated scope, as well as to review all control and risk management functions in respect to finance, operation, and compliance with laws and rules.

The Board acknowledges that it is the responsibility of the Board to ensure that the Company has established and maintained adequate and effective risk management and internal control systems and to review their effectiveness. The Board delegates its responsibility to the Audit Committee to review the practices of management with respect to risk management and internal control, including the design, implementation and supervision of the risk management and internal control systems on an annual basis. Furthermore, the Audit Committee also reviews the effectiveness of the risk management and internal control systems.

To ensure that the risk management and internal control systems are effective, the Company, under the supervision and guidance of the Board and factoring the actual needs of the Company, has adopted the "Three Defenses" model as an official organizational structure for risk management and internal control.

First Defense – Core Business Departments

First defense is comprised of business departments or positions of various operation lines of the Company, which is responsible for daily operation and management of the Company, as well as design and implementation of related internal control and risk management measures for their respective departments.

Second Defense – Functional Departments

The Second Defense is comprised of various functional departments, which is responsible for overseeing the enforcement of policies related to the risk management and internal control of the Company. For ensuring effective implementation of the risk management and internal control systems, the Second Defense also assists and supervises the First Defense in the establishment and improvement of such systems.

Third Defense – Internal Audit Department

The Third Defense is established by the internal audit and supervision department, which is responsible for providing independent assessment and verification of the effectiveness of risk management and internal control systems of the Company. In addition to assisting the business departments and functional departments in formulating internal control systems and risk management measures, the Third Defense regularly monitors, supervises, and assesses the implementation of the relevant systems and measures at various departments of the Company to ensure that the Company will continue to improve and enhance the risk management and internal control systems of the Company.

These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management

The Company has been committed to continuously improving the risk management system, including structure, process and culture, through the enhancement of risk management ability, to ensure long-term growth and sustainable development of the Company's business.

The Company has established a risk management system (including the "Three Defenses" internal monitoring model as detailed above) which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. Each operation line of the Company, on a regular basis, identifies and assesses risk factors that may negatively impact the achievement of its objectives, and formulates appropriate response measures. The Company's staff also attends training in relation to risk management and internal controls on a regular basis.

Risk Management Process

The Company has established a dynamic risk management process:

- Business and functional departments of each operation line identify, assess and respond to risks in the course of operation in a systematic manner, escalating concerns and communicating results to the internal audit and supervision department;

- The internal audit and supervision department collects, analyses, and consolidates a list of significant risks at the company level, and provides input on risk response strategies and control measures for such risks. The corresponding risk responses and control measures against these significant risks will be reviewed by the Audit Committee before reporting to the Board;

- The internal audit and supervision department reviews and evaluates the responses to significant risks from time to time, and reports to the Audit Committee at least once a year;

- The Audit Committee, on behalf of the Board, assesses and determines the nature and level of the risks that the Company is willing to take in order to achieve its business objectives and formulates appropriate response strategies which include designating responsible departments for handling each significant risk. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit and supervision department.

Significant Risks of the Company

In 2021, the management identified four significant risks in accordance with the abovementioned risk management process. The Board will monitor the overall risk exposure of the Company and review the nature and severity of such significant risks facing the Company. The Board is of opinion that the management has implemented appropriate measures to address and manage these significant risks to such a level acceptable to the management.

Set out below is a summary over the significant risks currently facing the Company and the countermeasures implemented against these risks. As the risk exposure against the Company may at any time change, the list as follows is not exhaustive.

1. *Governmental and regulatory risks*

The government and relevant regulatory bodies continue to regulate the internet and movie industry. In addition, the entry barrier mechanism, content censorship system, and other regulations may affect our business operation, including ownership structure, necessary licensing, marketing strategies, entertainment contents, customer relations, and intellectual property rights. Following the introduction and execution of the Cyberspace Security Law and other laws and regulations, the regulatory bodies will emphasize more on the legitimacy and compliance of collecting, maintaining, and applying users' personal information. Any company that fails to comply with these laws and regulations may be subject to administrative penalties or litigation, which may constrain its business development in serious cases.

The Company has the legal department and government affairs department, and appoints an external legal consultant, all of which are responsible for timely obtaining and understanding information regarding regulations, systems, and regulatory requirements published by the government and regulatory bodies before timely relaying such information to the relevant business departments of the operation lines. The government affairs department is committed to nurturing a sound government relationship, timely and accurately obtaining policy trend, and fully understanding industrial regulations on entertainment contents so as to mitigate the risks of non-compliance with the government and regulatory requirements, and policy details can be timely acquired to promote the business operation. The business departments will exercise strict control over investments in and promotion of entertainment contents to ensure that the subject matters of such entertainment contents are in compliance with regulatory requirements, while the legal department shall conduct audits over the business qualifications of the Company in accordance with latest policies, and timely provide updates to safeguard the compliance of our businesses with such policies.

2. *Market competition risks*

The rapid development of the entertainment industry, coupled with the emergence and evolution of new media and entertainment, the customer demands for product and service innovation, and the crossover development of non-internet entertainment companies, is likely to bring new competitions and challenges to the current businesses of the Company. If the Company fails to perform well against competitors, the Company's operating results and financial conditions may be affected by the possible failure to generate expected revenue or achieve investment returns.

The Company develops and maintains close relationship with industrial players, including content producers, content distributors, cinemas, and other on-site entertainment sponsors to enhance our content production and promotion capacity to provide more comprehensive and valuable to our users and industry partners. In addition, the Company enjoys various advantages to stand out amid the market competition, including the capability to maintain information technologies, strategic partnership with leading internet platforms, timely and accurate insight into market changes and demands, as well as persistence in enhancing the research and development capacity and keeping abreast with technological advancements.

Corporate Governance Report

3. Brand and reputation risks

Given the nature of the industry where the Company operates, there is a high level of user engagement, as well as public and media attention. In case that the failure to appropriately resolve public relations crises results in public access to false information, the Company's reputation and brand image may be impaired alongside loss of users, which will cause adverse effects on the operating results of the Company.

The Company establishes a taskforce dedicated to public relations, which will collect and monitor public opinions through the internet and other media sources, and collate and analyze the relevant information before reporting the same to the management. In accordance with the corporate policies, the management will make response plans to ensure that the public relations crises are effectively controlled and resolved in a timely manner, and to protect the Company's reputation and brand image.

4. Employee turnover risks

The Company is dependent on the chief executives and key talents for its successful operation and development. Given a high turnover rate of internet and entertainment talents, the talent reserve of the Company is inadequate, which may affect the business sustainability of the Company in the related sectors. Furthermore, as a result of fierce competition for talents in the industry, if the executive officers and key talents join our competitors or establish a competing business, the Company may lose technological advantages, trade secrets, business partners, and other critical resources, which in return will affect the operating results and operating efficiency of the Company.

The Company acknowledges the importance of developing healthy corporate culture and good workplace conditions, and pays attention to individual growth and improvement of our employees. Meanwhile, the Company establishes a well-developed employee promotion mechanism and long-term incentive scheme to enhance the enthusiasm and performance efficiency of our employees. In addition, the Company explicitly prescribes non-competition restrictions in our labor contracts with all employees, which will effectively prevent our employees from joining the competitors or establishing competing entities. Furthermore, the Company maintains close business contacts with recruitment medias and headhunting agencies to safeguard the talent recruitment channels.

Internal Control

The management of the Company is responsible for the design, implementation and maintenance of the effectiveness of internal control systems. The Board and the Audit Committee are responsible for monitoring and overseeing the performance of the internal control systems by the management to ensure it is appropriate and effective.

The Company's internal control systems clearly define roles and responsibilities of each party as well as authorizations and approvals required for key actions of the Company. Policies and procedures are put in place for the key business processes. Such information is also clearly shared with employees in practice and plays an important role in internal control systems. All employees must strictly follow the policies which cover, amongst other things, financial, legal and operational issues that set the control standards for the management of each business process.

The functional departments supervise the establishment of the risk management and internal control systems set up by the core business departments, and ensure that appropriate management measures are implemented. The internal audit and supervision department, serving as the independent third defense, conducts objective evaluation on the effectiveness of the Company's risk management and internal control systems and reports the results to the Audit Committee.

Inside Information

The Company has established an inside information policy, and actively reminded the directors and employees of due compliance with all policies regarding inside information. To ensure adequate attention to whistleblowing, the Company has established a reporting mechanism to handle and discuss internal whistleblowing of financial, operational, internal control and fraud issues. Major internal control deficiencies or whistle-blowing issues will be submitted to the Audit Committee.

Effectiveness of Risk Management and Internal Control Systems

The Board conducted an annual review over the effectiveness of risk management and internal control systems of the Company for the year ended December 31, 2021, and the management confirmed the effectiveness of the risk management and internal control systems within their terms of reference during the year. As a result, the Board is confident, without any evidence to the contrary, that the Company has provided reasonable assurance as to compliance with the risk management and internal control systems for the year ended December 31, 2021, which has prevented any significant financial misstatement or loss, and included protection of assets, appropriate maintenance of accounting records, reliability of financial data, compliance with applicable laws and regulations, and identification and control of business risks. In connection with the effectiveness of risk management and internal control systems, the Board has confirmed that no significant areas of concern have been identified and believes that the system remains effective and adequate, including sufficient resources, appropriate qualifications and experiences of our employees, and employee training programs, and that there are adequate budgets for accounting, internal audit, and financial reporting functions.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Zheng Xia and Mr. Cheng Ching Kit.

Ms. Zheng Xia has served as the legal director and other positions since joining the Company in May 2018. Mr. Cheng Ching Kit is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and has over nine years of experience in corporate secretarial field. Mr. Cheng Ching Kit's primary corporate contact person at the Company is Ms. Zheng Xia.

During the Report Period, Ms. Zheng Xia and Mr. Cheng Ching Kit were fully in compliance with the Rule 3.29 of the Listing Rules as both received no less than 15 hours of professional training.

SHAREHOLDERS' RIGHTS

The Company encourages the Shareholders to attend the general meetings of the Company.

The Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM") and for Putting Forward Proposals at General Meeting

Pursuant to Article 64 of Articles of Association, extraordinary general meeting of the Company shall be convened on the requisition of one or more shareholders of the Company 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. Such requisition shall be made in writing to the Board or the company secretary of the Company at the headquarter of the Company in the PRC, which is presently situated at No. 3 Building, Yonghe Hangxing Garden, No. 11 Hepingli East Street, Dongcheng District, Beijing, PRC, for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition and signed by the requisitionist(s) (the "Requisitionist(s)").

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, 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.

Article 114 of the Articles of Association provides that no person, other than a retiring director of the Company, shall, unless recommended by the Board of the Company for election, be eligible for election to the office of director of the Company (the "Director") at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodging the notices as required under the Articles of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Accordingly, if a shareholder wishes to nominate a person to stand for election as a director of the Company at the general meeting, the following documents must be validly served at the registered office of the Company, namely (1) his/her notice of intention to propose a resolution at the general meeting; (2) a notice signed by the nominated candidate of his/her willingness to be elected; (3) the nominated candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules; and (4) the nominated candidate's written consent to the publication of his/her personal data.

DIVIDEND POLICY

The Company adopted a dividend policy on March 25, 2019.

The Company intends to achieve a balance between maintaining sufficient capital for the Group's business development and operation and rewarding the shareholders of the Company with dividends.

In accordance with the dividend policy, in deciding whether to propose the payment of dividends and the amount of dividend payable, the Board will take into consideration the following factors affecting the Group, including but not limited to:

- actual and expected financial results of the Group;
- distributable profits of the Company and other subsidiaries of the Group;
- dividend income attributable to subsidiaries;
- future operation and profitability;
- capital requirements, earnings, and future expansion plans;
- the overall financial conditions of the Group, including the level of debts, liquidity, and future commitments;
- any contractual limitation on payment of dividends by the Company or payment of dividends by subsidiaries of the Company to the Company;
- taxation factors, as well as legal and regulatory restrictions; and
- other factors as the Board may consider.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

Shareholders, investors and members of the public should direct their questions about their shareholdings to the Company's Hong Kong Share Registrar. The contact details for the Hong Kong Share Registrar are as follows:

Computershare Hong Kong Investor Services Limited

Shop 1712 – 1716
17th Floor, Hopewell Centre
183 Queen's Road East Wan Chai, Hong Kong
Telephone: (852) 2862 8555
Fax: (852) 2865 0990
Email: hkinfo@computershare.com.hk

Should any questions as to the Company arise, shareholders and investors may contact the Company. The contact details of the Company are as follows:

Maoyan Entertainment

No. 3 Building, Yonghe Hangxing Garden
No. 11 Hepingli East Street
Dongcheng District
Beijing, PRC
Email:ir@maoyan.com

CONSTITUTIONAL DOCUMENTS

The Articles of Associations were approved on January 11, 2019 by special resolution and with effect from the Listing Date. Save as disclosed herein, there were no significant changes in the constitutional documents of the Company during the year ended December 31, 2021 and up to the date of this Annual Report.

Independent Auditor's Report

To the Shareholders of Maoyan Entertainment

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Maoyan Entertainment (the "Company") and its subsidiaries (the "Group"), which are set out on pages 102 to 221, comprise:

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

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

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

- Impairment assessment of goodwill
- Expected credit losses assessment of accounts and other receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to Notes 2.6, 4(a) and 16 to the consolidated financial statements. As at December 31, 2021, there was goodwill with carrying amount of approximately RMB4,505 million arising from the acquisitions of Beijing Weige Shidai Entertainment Technology Co., Ltd, Shenzhen Ruihai Fangyuan Technology Co., Ltd. and Hangzhou Soushi Network Co., Ltd in the previous years, which represented approximately 40.8% of the total assets of the Group. Management performed goodwill impairment test by comparing the recoverable amounts of cash generating unit ("CGU") to the carrying amounts. Management determined the recoverable amounts of the CGU based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the Group's CGU. Based on the assessments, management considered no impairment is necessary in respect of the goodwill as at December 31, 2021. We focused on this area due to the magnitude of the carrying amounts of goodwill and the fact that significant judgements were required by management as the VIU of the related CGU is determined based on assumptions used in the cash flow forecast. The key assumptions adopted by management include the revenue growth rate, gross margin, terminal growth rate and pre-tax discount rate.	Our procedures in relation to impairment assessment of goodwill included: – We obtained an understanding of management's internal control and process of the estimation of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity; – We evaluated and tested management's key controls in respect of the goodwill impairment assessment, including the determination of CGU, the valuation model and assumptions used in the calculation of VIU; – We evaluated the historical accuracy of the cash flow forecast by, for example, comparing the forecast used in the prior year to the actual performance of the business in the current year; – We evaluated the reasonableness of the key assumptions used in the cash flow forecast, such as revenue growth rate, terminal growth rate and gross margin taking into account industry forecasts and market developments, the Group's management approved budget, plan and historical performance; – We involved our internal valuation expert to evaluate the pre-tax discount rate applied in the calculation by comparing with the industry or market data to assess whether the pre-tax discount rate applied was within the range of those adopted by comparable companies in the same industry and check the calculation of the pre-tax discount rate; and – We evaluated management's sensitivity analysis over the revenue growth rate, terminal growth rate and pre-tax discount rate as adopted in the impairment test so as to assess the potential implication on the results of the impairment test for changes of assumptions within a reasonable range. Based on the above procedures, we considered that the key assumptions adopted in management's impairment assessment of goodwill were supportable by the evidence we obtained.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter

Expected credit losses assessment of accounts and other receivables

Refer to Notes 3.1(b), 23 and 24 to the consolidated financial statements.

As at December 31, 2021, the gross amount of the Group's accounts and other receivables amounted to approximately RMB2,085 million which represented approximately 18.9% of the total assets of the Group. Management has estimated the expected credit losses ("ECL") on the accounts and other receivables and a loss allowance of approximately RMB637 million was made against the accounts and other receivables as at December 31, 2021.

The loss allowances for accounts and other receivables reflected management's best estimate to determine the ECL at the balance sheet date under IFRS 9.

For accounts receivables that do not share same risk characteristics with others, management assessed their expected credit losses on an individual basis.

For accounts receivables that share same risk characteristics with others, the management applied the simplified approach to provide for their ECL, by first grouping accounts receivables based on their nature and risk characteristics and then recalculating their historical credit loss information before further incorporating forward-looking adjustments to reflect the management's forecasts of macroeconomic factors in different scenarios as this affects the debtors' abilities to settle the receivables.

For other receivables, the management assessed whether their credit risk had increased significantly since their initial recognition and applied the three-stage approach to provide for their ECL using a modelling approach that incorporated key parameters and assumptions (including probability of default, loss given default, exposure at default, etc.).

We focused on this area due to the magnitude of the balance of accounts and other receivables and the fact that significant judgements were required by management in assessing the ECL of accounts and other receivables.

Our procedures in relation to management's assessment on the ECL of accounts and other receivables include:

– We obtained an understanding of management's internal control and process of the estimation of the ECL on accounts and other receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity;

– We evaluated and tested management's key control in relation to the estimate of the ECL on accounts and other receivables;

– We performed the following procedures regarding the reasonableness of methods and assumptions used and judgements made by management:

  - We assessed the appropriateness of the ECL provisioning methodology adopted by management;

  - We tested, on a sample basis, the accuracy of the key data inputs such as the aging schedules of accounts and other receivables;

  - We evaluated the reasonableness of grouping of accounts receivables, including those assessed on an individual basis, and staging determination for other receivables against their nature and risk characteristics;

  - We challenged the reasonableness of the detailed application of key ECL model parameters and assumptions including possibility of default, loss given default, exposure at default by considering, the historical default rates and past collection information;

  - We evaluated the appropriateness of forward looking information with reference to independent data and our industry knowledge including multiple economic scenarios and parameters; and

  - We tested, on a sample basis, the mathematical accuracy of the calculations of expected credit loss rates based on the historical loss and forward-looking information.

Based on the above procedures, we considered that the significant judgements and estimates made by management in relation to the assessment of the ECL on accounts and other receivables were supportable by available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in 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. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 ISAs 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with ISAs, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Tong Yu Keung.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 24, 2022

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
		2021	2020
	Note	**RMB'000**	RMB'000
Revenue	*6*	**3,323,415**	1,365,690
Cost of revenue	*7*	**(1,481,184)**	(828,356)
Gross profit		**1,842,231**	537,334
Selling and marketing expenses	*7*	**(672,539)**	(485,845)
General and administrative expenses	*7*	**(360,176)**	(353,561)
Net impairment losses on financial assets	*3.1(b)*	**(194,060)**	(418,356)
Net impairment losses on non-financial assets	*24*	**(113,468)**	–
Other income	*8*	**23,251**	130,795
Other gains/(losses), net	*8*	**13,044**	(14,511)
Operating profit/(loss)		**538,283**	(604,144)
Finance income	*10*	**28,246**	15,891
Finance costs	*10*	**(31,289)**	(37,833)
Finance costs, net	*10*	**(3,043)**	(21,942)
Share of losses of investments accounted for using the equity method	*17*	**(396)**	(2,535)
Profit/(loss) before income tax		**534,844**	(628,621)
Income tax expenses	*11*	**(166,342)**	(17,651)
Profit/(loss) for the year attributable to equity holders of the Company		**368,502**	(646,272)

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Earnings/(losses) per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic earnings/(losses) per share	*12*	**0.32**	(0.57)
– Diluted earnings/(losses) per share	*12*	**0.32**	(0.57)
Profit/(loss) for the year		**368,502**	(646,272)
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss			
Currency translation differences from foreign operations		**(847)**	1,568
Items that will not be reclassified to profit or loss			
Currency translation differences from the Company		**(51,117)**	(77,192)
Changes in the fair value of equity investments at fair value through other comprehensive income	*19*	**10,373**	(16,168)
Other comprehensive loss for the year, net of tax		**(41,591)**	(91,792)
Total comprehensive income/(loss) for the year attributable to equity holders of the Company		**326,911**	(738,064)

The notes on pages 110 to 221 are integral parts of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**27,230**	26,082
Right-of-use assets	*15*	**7,972**	21,639
Intangible assets	*16*	**5,062,928**	5,204,121
Investments accounted for using the equity method	*17*	**46,225**	37,121
Financial assets at fair value through profit or loss	*20*	**23,245**	28,313
Financial assets at fair value through other comprehensive income	*19*	**314,632**	316,265
Deferred income tax assets	*21*	**14,549**	11,930
Prepayments, deposits and other receivables	*24*	**4,750**	63,675
		5,501,531	5,709,146
Current assets			
Inventories	*22*	**35,049**	35,154
Accounts receivables	*23*	**909,862**	318,970
Prepayments, deposits and other receivables	*24*	**1,894,742**	1,853,259
Financial assets at fair value through profit or loss	*20*	**93,306**	397,864
Restricted bank deposits	*25*	**23,805**	154,000
Term deposit with original maturity over three months	*25*	**50,051**	–
Cash and cash equivalents	*25*	**2,519,989**	2,140,149
		5,526,804	4,899,396
Total assets		**11,028,335**	10,608,542
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*29*	**154**	153
Reserves	*30*	**8,249,153**	8,264,140
Accumulated losses		**(261,635)**	(641,234)
Total equity		**7,987,672**	7,623,059

Consolidated Statement of Financial Position

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*21*	**132,016**	156,456
Lease liabilities	*15*	**–**	8,620
		132,016	165,076
Current liabilities			
Borrowings	*26*	**512,500**	1,013,467
Accounts payables	*27*	**293,372**	289,209
Other payables, accruals and other liabilities	*28*	**2,050,708**	1,476,012
Lease liabilities	*15*	**9,075**	14,216
Current income tax liabilities		**42,992**	27,503
		2,908,647	2,820,407
Total liabilities		**3,040,663**	2,985,483
Total equity and liabilities		**11,028,335**	10,608,542

The notes on pages 110 to 221 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 102 to 221 were approved for issue by the Board of Directors on March 24, 2022 and were signed on its behalf.

Zheng Zhihao
Executive Director and Chief Executive Officer

Miao Boshu
Financial Controller

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company			
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
As at January 1, 2021		153	8,264,140	(641,234)	7,623,059
Comprehensive income					
Profit for the year		–	–	368,502	368,502
– Currency translation differences		–	(51,964)	–	(51,964)
– Changes in the fair value of equity investments at fair value through other comprehensive income	*19*	–	10,373	–	10,373
Total comprehensive income		–	(41,591)	368,502	326,911
– Transfer of gain upon disposal of equity investments at fair value through other comprehensive income to accumulated loss	*19*	–	(11,097)	11,097	–
Transactions with equity holders of the Company					
Issuance of new shares under share option scheme	*29,30*	1	4,284	–	4,285
Share-based compensation expenses	*31*	–	33,417	–	33,417
Total transactions with equity holders of the Company		1	37,701	–	37,702
As at December 31, 2021		154	8,249,153	(261,635)	7,987,672

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company			
As at January 1, 2020		152	8,283,031	4,860	8,288,043
Comprehensive loss					
Loss for the year		–	–	(646,272)	(646,272)
Other comprehensive loss					
– Currency translation differences		–	(75,624)	–	(75,624)
– Changes in the fair value of equity investments at fair value through other comprehensive income	*19*	–	(16,168)	–	(16,168)
Total comprehensive loss		–	(91,792)	(646,272)	(738,064)
– Transfer of gain upon disposal of equity investments at fair value through other comprehensive income to retained earnings	*19*	–	(178)	178	–
Transactions with equity holders of the Company					
Issuance of new shares under share option scheme	*29,30*	1	476	–	477
Share-based compensation expenses	*31*	–	72,603	–	72,603
Total transactions with equity holders of the Company		1	73,079	–	73,080
As at December 31, 2020		153	8,264,140	(641,234)	7,623,059

The notes on pages 110 to 221 are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

		Year ended December 31,	
		2021	2020
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	*32*	**787,717**	424,707
Interest paid		**(30,542)**	(36,371)
Income tax paid		**(177,912)**	(94,190)
Net cash generated from operating activities		**579,263**	294,146
Cash flows from investing activities			
Purchases of property, plant and equipment	*14*	**(18,746)**	(8,408)
Purchases of intangible assets	*16*	**(825)**	(4,179)
Proceeds from disposal of property, plant and equipment		**–**	9
Payments for financial assets at fair value through profit or loss	*20*	**(712,408)**	(662,308)
Payments for financial assets at fair value through other comprehensive income	*19*	**(35,563)**	–
Proceeds from disposals of financial assets at fair value through profit or loss	*20*	**941,112**	725,059
Proceeds from disposals of financial assets at fair value through other comprehensive income	*19*	**38,568**	4,402
Interest received		**28,246**	15,891
Advance of receivables from investments in movies and TV series		**(116,133)**	(17,644)
Repayment of receivables from investments in movies and TV series		**121,266**	60,344
Advance of loans to third parties		**(49,424)**	(91,316)
Repayment of loans to third parties		**26,954**	168,594
Proceeds from loans from third parties		**–**	119,183
Repayment of loans from third parties		**–**	(74,580)
Proceeds from disposal of term deposit with original maturity over three months		**–**	100,000
Payments for term deposit with original maturity over three months	*25*	**(50,051)**	–
Payment for investments accounted for using the equity method	*17*	**(9,500)**	(2,098)

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Net cash generated from investing activities		**163,496**	332,949
Cash flows from financing activities			
Proceeds from short-term borrowings	*32(b)*	**512,500**	1,263,467
Repayments of short-term borrowings	*32(b)*	**(1,013,467)**	(1,411,600)
Proceeds from loans from third parties	*32(b)*	**39,923**	–
Principal elements of lease payments	*15*	**(14,508)**	(13,654)
Proceeds from disposal of restricted bank deposits		**154,000**	331,369
Payments for restricted bank deposits	*25*	**(23,805)**	(154,000)
Issuance of new shares under share option scheme	*29,30*	**4,285**	477
Net cash (used in)/generated from financing activities		**(341,072)**	16,059
Net increase in cash and cash equivalents		**401,687**	643,154
Cash and cash equivalents at beginning of year		**2,140,149**	1,540,414
Exchange loss on cash and cash equivalents		**(21,847)**	(43,419)
Cash and cash equivalents at end of year		**2,519,989**	2,140,149

The notes on pages 110 to 221 are integral parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Maoyan Entertainment (the "Company") was incorporated in the Cayman Islands on December 8, 2017 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, Cayman Corporate Centre, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on February 4, 2019.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "Group"), are principally engaged in the provision of online entertainment ticketing services, entertainment content services, movies and TV series investments, advertising services and others to users in the People's Republic of China (the "PRC").

The financial statements for the year ended December 31, 2021 are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated. The financial statements for the year ended December 31, 2021 have been approved for issue by the Company's board of directors (the "Board") on March 24, 2022.

1.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 New and amended standards and interpretations

(a) New and amended standards and interpretations adopted by the Group

The Group has applied new and amended standards effective for the financial year beginning on 1 January 2021.The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

(b) New and amended standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Update reference to the conceptual framework	January 1, 2022
Amendments to IAS 16	Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
Annual improvements	Annual improvements to IFRS standards 2018-2020 cycle	January 1, 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
IFRS 17 and Amendments to IFRS 17	Insurance contract	January 1, 2023
Amendment to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 New and amended standards and interpretations *(continued)*

(b) New and amended standards and interpretations not yet adopted (continued)

		Effective for annual periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IFRS 17, IFRS 4 and IAS 16	Extension of the Temporary Exemption from Applying IFRS 9 and Property,Plant and Equipment	January 1, 2023

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(a) ***Subsidiaries*** *(continued)*

Subsidiaries controlled through contractual arrangements

Maoyan Entertainment (HK) Limited ("Maoyan Entertainment HK"), the subsidiary of the Group, established Tianjin Maoyan Weying Technology Co., Ltd (the "WFOE"), has entered into the contractual arrangement with Tianjin Maoyan Weying Cultural Media Co., Ltd. ("Tianjin Maoyan Weying") and its registered shareholders, which enables the WFOE and the Group to:

- Exercise effective control over the Tianjin Maoyan Weying and its subsidiaries (the "Operating Entities");

- Exercise equity holders' voting rights of the Operating Entities;

- Receive substantially all of the economic interests and returns generated by the Operating Entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;

- Obtain an irrevocable and exclusive right to purchase all equity interests in Tianjin Maoyan Weying from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Tianjin Maoyan Weying shall return the amount of purchase consideration they have received to the WFOE. At the WFOE's request, the registered shareholders of Tianjin Maoyan Weying will promptly and unconditionally transfer their respective equity interests of Tianjin Maoyan Weying to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right; and

- Obtain pledges over the entire equity interests in Tianjin Maoyan Weying from its registered shareholders to secure, among others, performance of their obligations under the contractual arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(a) ***Subsidiaries*** *(continued)*

Subsidiaries controlled through contractual arrangements *(continued)*

The Group does not have any equity interest in the Operating Entities. However, as a result of the contractual arrangement, the Group has rights to variable returns from its involvement with the Operating Entities and has the ability to affect those returns through its power over the Operating Entities and is considered to control the Operating Entities. Consequently, the Company regards the Operating Entities as controlled structure entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group during the years ended December 31, 2021 and 2020.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The Directors of the Group, based on the advice of its legal counsel, consider that the use of contractual arrangements does not constitute a breach of relevant laws and regulations.

(b) ***Associates***

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2 (d) below), after initially being recognised at cost.

(c) ***Joint arrangements***

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

The Group has assessed the nature of its certain investments in movie production and determined them to be joint operations. The Group recognizes its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the revenue recognition related to investments in movie production classified as joint operation are set out in Note 2.19.1(b) (ii).

Interests in joint ventures are accounted for using the equity method (see 2.2 (d) below), after initially being recognised at cost in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(d) Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.7.

(e) Changes in ownership interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration received/paid and the relevant share disposed/acquired of the carrying value of net assets of the subsidiary is recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(e) ***Changes in ownership interests*** *(continued)*

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

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(f) ***Business Combinations***

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(f) ***Business Combinations*** *(continued)*

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

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

2.3 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income, within finance costs.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the consolidated statement of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income ("FVOCI"), are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) ***Group companies*** *(continued)*

- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting currency translation differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Office equipment	3-5 years
Computer equipment	3 years
Leasehold improvements	the shorter of their useful lives and the lease terms

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "other gains/(losses), net" in the consolidated statement of comprehensive income.

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Intangible assets *(continued)*

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have finite useful lives and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 9 to 10 years. The Group determined the acquired trademarks and licenses to have useful lives of 9 to 10 years based on the brand awareness of acquiree, expected future renewal rates and the best estimate of the Group.

(c) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line method over their estimated useful lives of 3-10 years. Considering this acquired software licenses are well-developed off the shelf software, there is no contractual term of these software license, and the Group can use the software as long as it can meet the Group's business needs. Based on the current functionalities equipped by this software and the daily operation needs, the Group considers a useful life of 3 -10 years is the best estimation under current business needs.

(d) Business cooperation agreement

Business cooperation agreement represents platform agreement with Tencent. It has a finite life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over its estimated useful life of 5 years.

(e) Contractual customer relationship

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 10-15 years. The Group determined the acquired contractual customer relationship to have a useful life of 10 to 15 years based on the rule-of-thumb approach, considering the increase rate of revenue from these customers and customer churn rate, to determine the estimated benefit period of the contractual customer relationship.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

(a) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

(c) ***Measurement*** *(continued)*

Debt instruments *(continued)*

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses), net" and impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other gains/(losses), net" in the period in which it arises.

Equity instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

(d) Impairment

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

- Accounts receivables;
- Other receivables, and
- Cash and cash equivalents, restricted bank deposits and term deposit with original maturity over three months.

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

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

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from cash and cash equivalents, restricted bank deposits and term deposit with original maturity over three months, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

(e) Offsetting financial instruments

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

2.9 Inventories

Inventories consist primarily of television and movie scripts and side-line merchandise for sale, and are stated at the lower of cost, using the weighted average method, or net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.10 Accounts receivables and other receivable

Accounts receivables are amounts due from customers for services performed or inventories sold in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.8 (d) for a description of the Group's impairment policy for accounts receivables.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Share capital

Ordinary shares are classified as equity. Preferred shares are classified as equity if, and only if they represent the residual interest in the assets of the Company after deducting all its liabilities (i.e., no contractual obligation to deliver cash, another financial asset or a variable number of the Company's own equity instruments).

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

2.13 Accounts payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Borrowings

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.16 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Current and deferred income tax *(continued)*

(b) ***Deferred income tax*** *(continued)*

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

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

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

(c) ***Offsetting***

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

2.17 Employee benefits

(a) ***Short-term obligations***

Liabilities for wages and salaries including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as payroll and welfare payable in the balance sheet.

(b) ***Employee leave entitlements***

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits *(continued)*

(c) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(d) Share-based benefits of the Group

The Group operates several equity-settled share-based compensation plans (including share option scheme and share award scheme), under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 31, during the years ended December 31, 2021 and 2020. The fair value of the employee service received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

– Including any market performance conditions (e.g., the entity's share price);

– Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits *(continued)*

(d) ***Share-based benefits of the Group*** *(continued)*

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

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Revenue recognition

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

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

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group uses the output methods to measure the progress towards, recognizing revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

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

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

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

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

The Group principally derives revenue from movie services, merchandising and membership business, advertising business and other entertainment services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(a) Online entertainment ticketing services

Online entertainment ticketing services consist primarily of online movie ticketing as well as entertainment event ticketing service.

(i) Online movie ticketing

The Group provides an e-commerce platform that enables cinemas to sell their movie tickets to users through the platform. Users can select cinemas, movies, order the seats and pay for the tickets through the Group's platform. The Group identifies cinemas as the customers for the online movie ticketing services.

Revenue from online movie ticketing services is recognized on a net basis as the Group is not regarded as the primary obligor and not responsible for film shown and does not have the ability to determine the pricing of the tickets. The Group only receives commission fee from the cinemas.

The payments from users are cancellable and refundable before the films are shown. The Group initially recorded the payments from the users as other payables and recognizes commission revenue when the films are shown.

The Group offers ticket refund and exchange services on the platform for some cinemas and receive extra service fee from cinemas. The payments arising from ticket refund and exchange are non-refundable. Revenue is recognized when the cinemas complete the ticket refund and exchange for users.

(ii) Online entertainment event ticketing

The Group offers ticketing services for entertainment events, such as concerts, live performances, exhibitions and sports events on its platform. Subject to the capabilities of the theaters and other venues, the Group provides online seat area selection for certain entertainment events.

The Group works with event promoters including theaters and other venues. Tickets are sold on the Group's platform at the face value determined by the event promoters. The Group provides the event promoters with convenient and stable ticketing system and managerial assistance through the system.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(a) ***Online entertainment ticketing services*** *(continued)*

(ii) ***Online entertainment event ticketing*** *(continued)*

The Group identifies theaters and other venues as the customers for online entertainment event ticketing services.

Ticket refund and exchange, as well as the extra service fee, are subject to the terms and conditions made by the event promoters. If events are cancelled or postponed, the event promoters will refund the value of the ticket prices to our users through the Group, and the event promoters are responsible for any expenses, liability claims, disputes and litigation resulting from such cancellation.

Revenue is recognized on a net basis as the Group is not regarded as the primary obligor and is not responsible for the event and does not take inventory risk. The Group only receives commission fee from the theaters and other venues.

The Group initially recorded the payments from the users as other payables and recognizes commission revenue when the events are started.

(b) ***Entertainment content services***

The Group operates an integrated platform to provide entertainment content services, including distribution, promotion to production, for various entertainment formats including movies, entertainment events, TV series, web series, web movies and variety shows.

(i) ***Movie distribution and promotion services***

The Group offers movie distribution and promotion services for content producers which are identified as customers of the Group. Movie distribution and promotion carried out by the Group include tailored audience incentive programs, promotion campaign in cooperation with movie fans club, movie presale and test screenings.

Since the Group normally has the ability to determine the pricing of the services and has taken responsibility for monitoring the quality of services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognizes revenue from movie distribution and promotion services on a gross basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(b) ***Entertainment content services*** *(continued)*

(i) ***Movie distribution and promotion services*** *(continued)*

Revenue from distribution and promotion is generated from the following sources: (i) a fixed-amount distribution cost as payment for the Group's distribution and promotion expenses, which is normally deducted from box office proceeds prior to payments to movie producers; and (ii) a distribution fee which can be either a fixed amount or a percentage of the movie, after deducting all necessary costs and expenses for production and distribution.

Revenue from distribution and promotion is recognized over the movie schedule according to the process of box office revenue. The Group uses the output methods to measure the progress towards, recognizing revenue based on direct measurements of the value transferred to the producers. Accounts receivable is recorded when revenue is recognized due to the Group has an unconditional right to consideration.

(ii) ***Movies production/investment***

The Group provides market-oriented advice to the production crew on the shooting and edition processes, leveraging the Group's big data analytical capabilities and extensive experience of movie distribution and promotion, and makes capital investment in the production as a co-producer or a producer.

When the Group is not involved in the determination of idea origination, production crew and cast selection, shooting and post-production but only participates in the distribution and promotion. The Group is not considered to be involved in the movie production process and the main purpose of the investment in the movies is to obtain the distribution right of the movies from the movie production companies and to earn the distribution fee. Given that distribution services are provided by the Group to the producers/movie production companies, and the investment in the relevant movie made by the Group is also paid to the same producer/movie production company, such investment cost is considered as in substance a consideration payable to a customer of the Group, and as a result, such investment cost shall be accounted for as a reduction of revenue. Therefore, revenue from this type of investment in movie projects arising from the revenue share of the movie, based on the interest percentage owned by the Group, is recognized over the movie screening period according to the box office, after the reduction of the Group's investment cost (on a net basis). Accounts receivables are recorded when revenue recognized due to the Group has an unconditional right to consideration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(b) ***Entertainment content services*** *(continued)*

(ii) ***Movies production/investment*** *(continued)*

When the Group involves and participates in the determination of idea origination, production crew, cast selection, shooting, post-production with other co-producers and determine distribution and promotion plan as distributor for the movies, and when the key relevant activities of the movie production are discussed and jointly determined by the Company and other producers, the arrangement is considered in substance as a joint operation. As a result, the Company shall recognize the share of revenue and cost of the movies based on our own interest percentage on the relevant movies according to the accounting policy disclosed in Note 2.2(c) Joint arrangements. Therefore, revenue from this type of movie production/investment arising from the revenue share of the movie, based on the interest percentage owned by the Group, is recognized over the movie screening period according to the box office (on a gross basis), and the relevant investment cost of such movies (also representing the cost of the movies shared to the Group) is recognized and presented as cost of revenue in the same pattern of the aforesaid revenue recognition.

When the Group is fully involved as a principal in the determination of idea origination, production crew and cast selection, shooting and post-production. The Group controlled the movie production process and is considered to be a producer. Therefore, revenue from this type of movie production represents the Group's share of box office sales from movies exhibited in movie theatres, after the payment of taxes and other charges by movie theatres and associates of movie theatres, is recognized over the movie screening period according to the box office (on a gross basis).

The corresponding movie production costs are initially capitalised under "Contract fulfillment costs for movie productions" in Note 24 and stated at cost less any provision for impairment losses. Provisions are made for costs which are in excess of the expected future revenues generated by these films. They are subsequently amortised to profit or loss under cost of revenue in the same pattern of the aforesaid revenue recognition when the associated movies are exhibited in movie theatres.

The Group also strategically invested in movies and TV series as one of the principal activities of the Group. Therefore, the Group has presented the changes in fair value on the investment in movies and TV series as revenue of the Group in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(c) Advertising services and others

The Group's platform offers online ordering of in-cinema food and beverage, sale of IP-centric movie merchandise and movie ticket membership subscriptions for the cinemas. Users can order the food, beverage and others and pay for it through the Group's platform in advance.

The varieties and price of food, beverage and other items are determined by the individual cinemas. The Group also acts as an agent in the transaction and only earns pre-agreed commission revenue from cinemas. Revenue from e-commerce services is recognized on a net basis as the Group is not regarded as the primary obligor.

The payments from users are cancellable and refundable before the users enjoy the goods or services. The Group initially records the payments from the users as other payables and recognizes commission revenue when the users enjoy the goods and services.

The Group provides advertising services to advertisers as well as advertising agencies in both the movie industry and other industries.

The Group also provides other advertising services, including advertisements incorporated into the entertainment content in the form of news feeds and articles published through the official accounts across several social media platform, as well as various offline marketing resources such as cinemas, movie roadshows, and cross-industry advertisement cooperation.

Advertising revenue mainly comprise revenue derived from displaying advertisements on its platform. The Group recognizes the revenue on a straight-line basis over the contracted period with customers in which the advertisements are displayed.

Since the Group has the ability to determine the pricing of the advertising services and to take responsibility for monitoring the quality of advertising services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognizes revenue from advertising on a gross basis.

Advertisers usually pay the advertisement after the display is completed. The Group records accounts receivables when the revenue recognized since the Group has unconditional rights to payments of advertising services which are due according to the contract terms.

(d) The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Interest income

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

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

Interest income from financial assets at 'FVTPL' is included in fair value gain/(loss) under "other gains/(losses), net" on these assets.

2.21 Government grants

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

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

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

2.22 Leases

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Leases *(continued)*

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Research and development expenses

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when the following recognition criteria are fulfilled:

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

Other development expenditures that do not meet those criteria are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

2.24 Segment reporting

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

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the year ended December 31, 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

(i) ***Foreign exchange risk*** *(continued)*

The following table shows the Group's foreign currency denominated monetary assets and liabilities (in RMB equivalent):

	Assets As at December 31,		Liabilities As at December 31,	
Currency denomination	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
USD	**–**	390	**–**	–
HKD	**126,429**	112,343	**85,925**	44,603
	126,429	112,733	**85,925**	44,603

The Group may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with monetary assets shown above. The Group has not used any means to hedge the exposure.

If RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, profit before income tax for the year ended December 31, 2021 would have been RMB2,025,000 higher/lower (as at December 31, 2020, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, loss before income tax would have been RMB3,387,000 lower/higher). The impact of exchange fluctuations of USD is not significant as at December 31, 2021 and 2020.

(ii) ***Fair value interest rate risk***

The Group's interest rate risk arises from interest-bearing bank deposits and bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bank borrowings at fixed rates expose the Group to fair value interest rate risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

(ii) ***Fair value interest rate risk*** *(continued)*

Other than interest-bearing bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

As at December 31, 2021 and 2020, the Group's interest-bearing borrowings are all at fixed rates.

(iii) ***Price risk***

The Group is exposed to price risk in respect of the long-term investments and short-term investments measured at FVPL and FVOCI held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment was managed by senior management on a case by case basis.

(b) ***Credit risk***

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted bank deposits, term deposit with original maturity over three months and wealth management products placed with banks and financial institutions as well as accounts receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) ***Risk management***

To manage risk arising from cash and cash equivalents, restricted bank deposits and term deposit with original maturity over three months and wealth management products, the Group only transacts with state-owned or reputable financial institutions in Hong Kong and mainland China. There has been no recent history of default in relation to these financial institutions.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk* *(continued)*

(i) *Risk management* *(continued)*

The Group has large number of debtors and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

(ii) *Impairment of financial assets*

The Group has three types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents, restricted bank deposits and term deposit with original maturity over three months
- Accounts receivables
- Other receivables

While cash and cash equivalents, restricted bank deposits and term deposit with original maturity over three months, are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were placed in reputable institutions in Hong Kong and mainland China with sound credit ratings.

Accounts receivables

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

The expected loss rates are based on the aging profiles of accounts receivables over a period of 48 months before December 31, 2021 or January 1, 2021 respectively and the corresponding historical credit losses expected within this period. These historical loss rates are then adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group has identified the “urban per capita disposable income” of the PRC in which it sells its services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor in different scenarios.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Accounts receivables (continued)

On such basis, the loss allowance as at December 31, 2021 and 2020 was determined as follows for accounts receivables:

	Current RMB'000	Up to 3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 1 year past due RMB'000	Total RMB'000
As at December 31, 2021						
On collective basis						
Expected loss rate	6.93%	7.60%	13.72%	21.84%	72.39%	9.81%
Gross carrying amount	886,524	46,090	26,044	11,564	38,658	1,008,880
Loss allowance provision	61,430	3,505	3,573	2,525	27,985	99,018
On individual basis						
Expected loss rate	–	–	–	–	100.00%	100.00%
Gross carrying amount	–	–	–	–	99,711	99,711
Loss allowance provision	–	–	–	–	99,711	99,711
Total						
Expected loss rate	6.93%	7.60%	13.72%	21.84%	92.29%	17.93%
Gross carrying amount	886,524	46,090	26,044	11,564	138,369	1,108,591
Loss allowance provision	61,430	3,505	3,573	2,525	127,696	198,729

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Accounts receivables (continued)

	Current RMB'000	Up to 3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 1 year past due RMB'000	Total RMB'000
As at December 31, 2020						
On collective basis						
Expected loss rate	6.67%	5.29%	10.55%	19.19%	61.99%	19.23%
Gross carrying amount	227,584	36,718	22,883	24,274	83,443	394,902
Loss allowance provision	15,190	1,943	2,415	4,658	51,726	75,932
On individual basis						
Expected loss rate	–	–	–	–	100.00%	100.00%
Gross carrying amount	–	–	–	–	96,875	96,875
Loss allowance provision	–	–	–	–	96,875	96,875
Total						
Expected loss rate	6.67%	5.29%	10.55%	19.19%	82.41%	35.14%
Gross carrying amount	227,584	36,718	22,883	24,274	180,318	491,777
Loss allowance provision	15,190	1,943	2,415	4,658	148,601	172,807

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Accounts receivables (continued)

The loss allowances for accounts receivables as at December 31, reconcile to the opening loss allowances as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**172,807**	51,800
Impairment provision	**54,117**	121,007
Write-off	**(28,195)**	–
At the end of the year	**198,729**	172,807

The directors of the Company have carefully re-assessed the lifetime expected credit loss of accounts receivables as at December 31, 2021, and accounts receivable are written off where there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in repayment plan with the Group.

Other receivables

Other receivables primarily comprise balances resulted from the Group's principal activities with various business partners primarily in the PRC entertainment industry. The impairment loss of these financial assets carried at amortized cost is measured based on the twelve months expected credit loss. The Directors consider the probability of default upon initial recognition of assets and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- external credit rating;

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Other receivables (continued)

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations; and

- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Under such case, the other receivables are classified as stage 2 and subject to lifetime expected losses provision. When the other receivables became past due for more than 90 days, they are treated as credit-impaired and therefore classified as stage 3.

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

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where other receivables have been written off, the Company continues to engage in follow-up actions such as enforcement activities to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Management uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies including Moody's.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Other receivables (continued)

A summary of the assumptions underpinning the Group's expected credit loss model on other receivables is as follows:

Category	The Group's definition of category	Basis for recognition of expected credit loss provision
Stage 1	Other receivables whose credit risk is in line with original expectations and/or past due for less than 30 days.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2	Other receivables for which a significant increase has occurred compared to original expectations; A significant increase in credit risk is presumed if interest and/or principal repayments are past due for more than 30 days but less than 90 days.	Lifetime expected losses
Stage 3	Interest and/or principal repayments are more than 90 days past due or it becomes probable that a customer will enter bankruptcy.	Lifetime expected losses

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Other receivables (continued)

The Group provides for credit losses against other receivables as follows:

As at December 31, 2021	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross carrying amount				
Deposits and receivables for online entertainment ticketing, e-commerce and other services	346,288	–	254,213	600,501
Loans to third parties	91,424	–	78,526	169,950
Receivables for investment in movies and TV series	21,330	–	49,699	71,029
Amounts due from related parties	62,240	–	22,814	85,054
Others	19,311	–	30,855	50,166
	540,593	–	436,107	976,700

	Stage1 RMB'000	Stage2 RMB'000	Stage3 RMB'000	Total RMB'000
Loss allowance				
Deposits and receivables for online entertainment ticketing, e-commerce and other services	2,340	–	252,533	254,873
Loans to third parties	1,204	–	78,526	79,730
Receivables for investment in movies and TV series	487	–	49,699	50,186
Amounts due from related parties	117	–	22,814	22,931
Others	171	–	30,855	31,026
	4,319	–	434,427	438,746
Expected credit loss rate	0.80%	–	99.61%	44.92%

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Other receivables (continued)

The Group provides for credit losses against other receivables as follows: *(continued)*

As at December 31, 2020	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross carrying amount				
Deposits and receivables for online entertainment ticketing, e-commerce and other services	684,189	9,605	223,046	916,840
Loans to third parties	42,000	–	105,480	147,480
Receivables for investment in movies and TV series	50,823	–	25,339	76,162
Amounts due from related parties	54,567	–	55,700	110,267
Others	19,948	–	2,367	22,315
	851,527	9,605	411,932	1,273,064

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Loss allowance				
Deposits and receivables for online entertainment ticketing, e-commerce and other services	3,385	710	161,432	165,527
Loans to third parties	369	–	73,678	74,047
Receivables for investment in movies and TV series	1,696	–	18,584	20,280
Amounts due from related parties	25	–	36,380	36,405
Others	177	–	2,367	2,544
	5,652	710	292,441	298,803
Expected credit loss rate	0.66%	7.39%	70.99%	23.47%

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(ii) ***Impairment of financial assets*** *(continued)*

Other receivables (continued)

During the year ended December 31, 2021, the Group has recognized allowance for impairment of approximately RMB139,943,000 (2020: RMB297,349,000) under the twelve months and lifetime expected losses method.

As at December 31, 2021, the maximum credit risk exposure of other receivables amounted to approximately RMB976,701,000. (2020:RMB1,273,064,000).

(c) ***Liquidity risk***

The Group aims to maintain sufficient cash and cash equivalents and marketable securities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at December 31, 2021				
Accounts payables	**293,372**	**–**	**–**	**293,372**
Other payables, accruals and other liabilities (excluding accrual for content production, payroll and welfare payable and other taxes liabilities)	**1,820,230**	**–**	**–**	**1,820,230**
Borrowings	**520,908**	**–**	**–**	**520,908**
Lease liabilities	**9,161**	**–**	**–**	**9,161**
	2,643,671	**–**	**–**	**2,643,671**

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at December 31, 2020				
Accounts payables	289,209	–	–	289,209
Other payables, accruals and other liabilities (excluding accrual for payroll and welfare payable and other taxes liabilities)	1,402,884	–	–	1,402,884
Borrowings	1,031,091	–	–	1,031,091
Lease liabilities	15,132	9,161	–	24,293
	2,738,316	9,161	–	2,747,477

3.2 Capital management

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

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

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities, less cash and cash equivalents, and liquid investments which are financial assets held at fair value through profit or loss. Total capital is calculated as "equity" as shown in the consolidated statement of financial position. As at December 31, 2021 and 2020, the Group has a net cash position.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2021 and 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets that are measured at fair value as at December 31, 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Investment in movies and TV series	–	–	93,306	93,306
Unlisted investments	–	–	23,245	23,245
Financial assets at fair value through other comprehensive income				
Listed investments	240,931	–	–	240,931
Unlisted investments	–	–	73,701	73,701
Total Financial assets	240,931	–	190,252	431,183

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets that are measured at fair value as at December 31, 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Investment in wealth management products	–	–	195,748	195,748
Investment in movies and TV series	–	–	202,116	202,116
Unlisted investments	–	–	25,000	25,000
Listed investments	3,313	–	–	3,313
Financial assets at fair value through other comprehensive income				
Listed investments	259,617	–	–	259,617
Unlisted investments	–	–	56,648	56,648
Total Financial assets	262,930	–	479,512	742,442

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the years ended December 31, 2021 and 2020, there was no transfer between level 1, 2 and 3 for recurring fair value measurements.

Valuation processes of the Group (Level 3)

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

The components of the level 3 instruments mainly include investments in wealth management products, investment in movies and TV series and unlisted investments. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach and comparable transactions approach, etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital (WACC), recent market transactions, discount for lack of marketability and other exposure etc. The fair value of these instruments determined by the Group requires significant judgement, including the likelihood of non-performing by the investee company, financial performance of the investee company, market value of comparable companies as well as discount rate, etc.

The investment in movies and TV series mainly represent the investments in certain movies and TV series. The Group used discounted cash flows approach to evaluate the fair value of the investment in movies and TV series as at year end. Based on the Group's evaluation, fair value losses of the investments amounting to approximately RMB83,077,000 had been recognized under "revenue" for the year ended December 31, 2021 (Note 20(b)).

The unlisted investments represent the investments in certain privately owned companies. The Group used discounted cash flows approach to evaluate the fair value of the unlisted investments as at December 31, 2021. Besides, management is of the view that there is no significant change in fair value of the unlisted investments which are acquired close to December 31, 2021, during the year ended December 31, 2021, unless there is available information about latest round of financing.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, restricted bank deposits, term deposit with original maturity over three months, accounts receivables and other receivables, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

Valuation processes of the Group (Level 3) *(continued)*

The following table summarises the information about the significant unobservable inputs used in the level 3 fair value measurement of investments in movies and TV series:

Description	Fair value at December 31, 2020 RMB'000	Fair value at December 31, 2021 RMB'000	Key inputs and relationships of unobservable inputs to fair value
Investments in wealth management products	195,748	–	As at December 31, 2020, the expected rates of return range from 2.50% to 3.55%. The higher the expected rate of return, the higher the fair value.
Investments in movies and TV series	202,116	**93,306**	Expected future cash flows are discounted at rates that reflect the internal rates of return of the underlying investments. The higher internal rate of return, the lower the fair value.
Investments in unlisted equity securities	81,648	**96,946**	Expected future cash flows are discounted at rates that reflect the internal rates of return of the underlying investments. The higher internal rate of return, the lower the fair value.
Total	479,512	**190,252**	

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

Valuation processes of the Group (Level 3) *(continued)*

The following table presents the changes in level 3 items including investments in wealth management products, investments in movies and TV series, and investments in unlisted equity securities for the years ended 31 December 2020 and 2021.

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	
	Investments in wealth management products RMB'000	Investments in movies and TV series RMB'000	Investments in unlisted equity securities RMB'000	Investments in unlisted equity securities RMB'000	Total RMB'000
As at 1 January 2020	267,717	214,006	48,568	58,002	588,293
Additions	615,648	46,660	–	–	662,308
Disposals	(693,999)	(31,060)	–	–	(725,059)
Fair value gains/(losses)	6,382	(27,490)	(23,452)	–	(44,560)
Currency translation differences	–	–	(116)	(1,354)	(1,470)
As at 31 December 2020	195,748	202,116	25,000	56,648	479,512
As 1 January 2021	**195,748**	**202,116**	**25,000**	**56,648**	**479,512**
Additions	**690,000**	**22,408**	**–**	**17,500**	**729,908**
Disposals	**(893,755)**	**(43,641)**	**–**	**–**	**(937,396)**
Fair value gains/(losses)	**8,007**	**(87,577)**	**(1,755)**	**–**	**(81,325)**
Currency translation differences	**–**	**–**	**–**	**(447)**	**(447)**
As at 31 December 2021	**–**	**93,306**	**23,245**	**73,701**	**190,252**

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a seven-year period. Cash flows beyond the seven-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Details of impairment charge, key assumptions which are made by the management and third-party valuer and impact of possible changes in key assumptions are disclosed in Note 16. Based on assessment, the management and directors of the Company are of the view that there is no impairment of goodwill as at December 31, 2021.

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Useful lives and amortization charges of intangible assets

The Group's management determines the estimated useful lives and related amortization charges for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore amortization expense in future periods.

The current estimated useful lives are stated in Note 2.6. If the estimated amortization lives of trademarks, licenses, software, business cooperation agreement and contractual customers' relationship had been increased/decreased by 10%, the amortization expenses of intangible assets would have been decreased/increased by approximately RMB3,478,000 and RMB4,662,000 for the year ended December 31, 2021 (2020: RMB3,658,000 and RMB4,687,000).

(c) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgements and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Recognition of share-based compensation expenses

The fair value of options is determined by the Binomial model or Monte Carlo model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and the third-party valuer.

(e) Measurement of the expected credit losses

The measurement of the expected credit losses for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss is further detailed in Notes 3.1(b).

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

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

5 SEGMENT INFORMATION

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

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

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

As at December 31, 2021 and 2020, substantially all of the non-current assets were located in the PRC.

6 REVENUE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue from contract with customers under IFRS 15		
Online entertainment ticketing services	**1,713,748**	756,548
Entertainment content services	**1,444,031**	380,717
Advertising services and others	**253,213**	255,915
	3,410,992	1,393,180
Losses from movies and TV series investment *(Note 20(b))*	**(87,577)**	(27,490)
Total revenue	**3,323,415**	1,365,690

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue at a point in time	**1,759,725**	799,139
Revenue over time	**1,651,267**	594,041
Revenue from contract with customers under IFRS 15	**3,410,992**	1,393,180

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue recognized as an agent		
– Online entertainment ticketing services	**1,713,748**	756,548
– Advertising services and others	**121,821**	113,226
Revenue recognized as a principal		
– Entertainment content services	**1,444,031**	380,717
– Advertising services and others	**131,392**	142,689
Revenue from contract with customers under IFRS 15	**3,410,992**	1,393,180

Notes to the Consolidated Financial Statements

7 EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Marketing and promotion expenses	**506,754**	280,210
Ticketing system cost	**418,680**	144,892
Staff costs excluding share options granted to directors and employees *(Note 9)*	**413,542**	373,455
Content distribution and promotion cost	**386,626**	188,670
Content production cost	**258,705**	169,088
Internet infrastructure cost	**183,042**	130,721
Amortization of intangible assets *(Note16)*	**140,272**	141,131
Share options granted to directors and employees *(Note 9)*	**33,417**	72,603
Other professional expenses	**30,915**	51,933
Outsourcing expenses	**29,471**	18,354
Depreciation of property, plant and equipment *(Note 14)*	**17,004**	16,530
Tax and levies	**13,712**	4,374
Depreciation of right-of-use assets *(Note 15)*	**13,667**	13,666
Rental expenses for short-term and low-value leases *(Note 15)*	**9,126**	3,548
Auditor's remuneration	**6,300**	5,843
Other expenses	**52,666**	52,744
Total cost of revenues, selling and marketing expenses and general and administrative expenses	**2,513,899**	1,667,762

During the year ended December 31, 2021, the Group incurred expenses for the purpose of research and development of approximately RMB229,892,000 (2020: RMB213,062,000), which comprised employee benefit expenses of RMB209,535,000 (2020: RMB207,977,000).

8 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Other income		
Government subsidies *(a)*	**11,723**	120,689
Tax credit of input tax additional deduction	**11,528**	10,106
	23,251	130,795
Other gains/(losses), net		
Fair value gain/(loss) on wealth management products, listed and unlisted investments classified as financial assets at fair value through profit or loss *(Note 20)*	**6,734**	(18,269)
Loss on disposal of property, plant and equipment *(Note 14)*	**(594)**	(208)
Loss on disposal of intangible assets *(Note 16)*	**(1,746)**	–
Gains on COVID-19 rent concessions *(Note 15)*	**–**	1,281
Others	**8,650**	2,685
	13,044	(14,511)

(a) During the year ended December 31, 2020, the Group received unconditional subsidies amounting to a total of approximately RMB118,690,000 in respect of certain corporate development funding programs operated by the PRC government of which certain of the Group's key operating subsidiaries were eligible and successfully applied.

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	**330,943**	321,822
Share-based compensation expenses	**33,417**	72,603
Welfare, medical and other expenses	**51,268**	48,449
Contributions to pension plans	**31,331**	3,184
	446,959	446,058

(a) Pensions – defined contribution plans

Majority of the Group's contributions to pension plans are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are paid to the respective labour and social welfare authorities and are expensed as incurred.

9 EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1 director for the year ended December 31, 2021 (2020: 0), whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining 4 individuals during year ended December 31, 2021 (2020: 5) are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Basic wages and salaries	**9,161**	5,667
Contributions to pension plans	**187**	29
Bonuses	**2,533**	1,795
Share-based compensation expenses	**30,569**	53,065
Welfare, medical and other expenses	**290**	238
	42,740	60,794

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2021	2020
Emolument bands		
HKD6,500,001 – HKD7,000,000	**1**	–
HKD7,000,001 – HKD7,500,000	**1**	–
HKD9,500,001 – HKD10,000,000	**1**	2
HKD10,000,001 – HKD10,500,000	**–**	1
HKD12,500,001 – HKD13,000,000	**1**	–
HKD15,000,001 – HKD15,500,000	**1**	–
HKD17,500,001 – HKD18,000,000	**–**	1
HKD21,000,001 – HKD21,500,000	**–**	1

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Five highest paid individuals *(continued)*

During the years ended December 31, 2021 and 2020, no director or the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group, leave the Group or as compensation for loss of office.

10 FINANCE COSTS, NET

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Finance income:		
– Interest income from bank deposits	**28,246**	15,891
Finance costs:		
– Interest expense on bank borrowings	**(30,542)**	(36,371)
– Unwinding of interest on lease liabilities *(Note 15(b))*	**(747)**	(1,462)
	(31,289)	(37,833)
Finance costs, net	**(3,043)**	(21,942)

11 INCOME TAX EXPENSES

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current income tax	**193,401**	48,368
Deferred income tax *(Note 21)*	**(27,059)**	(30,717)
Income tax expenses	**166,342**	17,651

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES *(continued)*

A reconciliation of the tax expense applicable to profit tax at the statutory rate in Mainland China to the tax expense at the effective rate is as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Profit/(loss) before income tax	**534,844**	(628,621)
Share of losses of investments accounted for using the equity method	**396**	2,535
	535,240	(626,086)
Tax calculated at a tax rate of 25%	**133,810**	(156,522)
Tax effects of:		
– Effects of different tax rates applicable to different subsidiaries of the Group	**(41,855)**	9,547
– Expenses not deductible for tax purposes	**7,318**	18,429
– Tax losses not recognized for deferred tax assets	**100,710**	141,888
– Utilisation of tax losses previously not recognized as deferred tax assets	**(33,327)**	(621)
– (Over)/underprovision for prior years	**(314)**	4,930
Income tax expenses	**166,342**	17,651

(a) Cayman Islands corporate income tax ("CIT")

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES *(continued)*

(c) PRC corporate income tax

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year ended December 31, 2021 and 2020. According to the relevant tax circulars issued by the PRC tax authorities: (1) one subsidiary of the Company is taxed at a preferential tax rate of 15% (2020: 25%) under the relevant PRC tax rules and regulations; and (2) one subsidiary of the Group is entitled to tax concessions and is exempted from CIT during the period from its incorporation to December 31, 2021.

(d) BVI income tax

No provision for income tax in BVI has been made as the Group has no income assessable to income tax in BVI for the year ended December 31, 2021 and 2020.

12 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

	Year ended December 31,	
	2021	2020
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**368,502**	(646,272)
Weighted average number of ordinary shares outstanding (thousand)	**1,118,636**	1,113,499
Weighted average number of vested restricted shares outstanding (thousand)	**21,222**	19,405
Total weighted average number of shares outstanding (thousand)	**1,139,858**	1,132,904
Basic earnings/(losses) per share (in RMB)	**0.32**	(0.57)

Basic earnings/(losses) per share are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding and weighted average number of vested restricted shares outstanding during the respective years.

12 EARNINGS/(LOSSES) PER SHARE *(continued)*

(b) Diluted earnings/(losses) per share

	Year ended December 31,	
	2021	2020
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**368,502**	(646,272)
Total weighted average number of shares outstanding (thousand)	**1,139,858**	1,132,904
Adjustments for share-based compensation – share options (thousand)	**1,305**	–
Adjustments for share-based compensation – RSUs (thousand)	**3,391**	–
Weighted average number of shares for diluted earnings per share (thousand)	**1,144,554**	1,132,904
Diluted earnings/(losses) per share (in RMB)	**0.32**	(0.57)

Diluted earnings/(losses) per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

For the year ended December 31, 2021, the Company had dilutive potential ordinary shares of share options and restricted stock units ("RSUs") granted to employees (Note 31). The number of shares that would have been issued assuming the exercise of the share options less the number of shares that would have been issued at assumed exercise price (determined as any amount that the employees must pay upon exercise and the balance of any amounts calculated under IFRS that have not yet been charged to income statement) are incremental share issued for nil consideration which causes dilution to earnings per share. The number of shares that would have been issued also assuming the exercise of the RSUs less the number of shares that would have been issued at assumed exercise price (determined as the balance of any amounts calculated under IFRS that have not yet been charged to income statement) are incremental share issued for nil consideration which causes dilution to earnings per share.

For the year ended December 31, 2020, the Company had dilutive potential ordinary shares of share options and restricted stock units ("RSUs") granted to employees (Note 31). As the Group incurred losses for the year ended December 31, 2020, the potential ordinary shares were not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended December 31, 2020 are the same as basic losses per share.

13 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended December 31, 2021 and 2020.

14 PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Computer equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Year ended December 31, 2020				
Opening net book amount	6,861	18,037	9,523	34,421
Additions	587	7,821	–	8,408
Disposals	(11)	(206)	–	(217)
Depreciation	(3,083)	(9,761)	(3,686)	(16,530)
Closing net book amount	4,354	15,891	5,837	26,082
As at December 31, 2020				
Cost	12,379	39,045	16,092	67,516
Accumulated depreciation	(8,025)	(23,154)	(10,255)	(41,434)
Net book amount	4,354	15,891	5,837	26,082
Year ended December 31, 2021				
Opening net book amount	**4,354**	**15,891**	**5,837**	**26,082**
Additions	**2,703**	**16,043**	**–**	**18,746**
Disposals	**(264)**	**(330)**	**–**	**(594)**
Depreciation	**(2,382)**	**(10,936)**	**(3,686)**	**(17,004)**
Closing net book amount	**4,411**	**20,668**	**2,151**	**27,230**
As at December 31, 2021				
Cost	**14,530**	**50,273**	**16,092**	**80,895**
Accumulated depreciation	**(10,119)**	**(29,605)**	**(13,941)**	**(53,665)**
Net book amount	**4,411**	**20,668**	**2,151**	**27,230**

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of revenue	**11,528**	8,395
Selling and marketing expenses	**2,458**	2,038
General and administrative expenses	**3,018**	6,097
	17,004	16,530

15 LEASES

(a) Balance recognized in the consolidated statement of financial position relating to leases

Right-of-use assets – leased properties

	As at December 31, 2021	As at December 31, 2020
	RMB'000	RMB'000
	7,972	21,639

Lease liabilities

	As at December 31, 2021	As at December 31, 2020
	RMB'000	RMB'000
Current portion	**9,075**	14,216
Non-current portion	**–**	8,620
Total lease liabilities	**9,075**	22,836

As at December 31, 2021, the carrying amounts of the Group's lease liabilities were denominated in RMB.

Notes to the Consolidated Financial Statements

15 LEASES *(continued)*

(b) Amounts recognized in the consolidated statement of comprehensive income relating to leases

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Depreciation of right-of-use assets	**13,667**	13,666
Unwinding of interests on lease liabilities	**747**	1,462
Gains on COVID-19 rent concessions	**–**	(1,281)
Rental expenses for short-term and low-value leases	**9,126**	3,548

During the year ended December 31, 2020, the Group received rent concessions of RMB1,281,000 from property owners during certain periods of severe social distancing and travel restriction measures introduced by the PRC government to contain the spread of COVID-19. Pursuant to the applicable practical expedients under IFRS 16, the Group has recognised all of these concessions in the Group's consolidated statement of comprehensive income under "other income and other gains/(losses), net" during the year ended December 31, 2020.

(c) Amounts recognized in the consolidated statement of cash flows relating to leases

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Payments for short-term and low-value leases *(i)*	**6,785**	4,693
Payments for interest elements of lease liabilities	**747**	1,462
Cash flows used in financing activities		
Principal elements of lease payments	**14,508**	13,654

(i) Payments for short-term and low-value leases were not shown separately, but included in the line of "profit/(loss) before income tax" in respect of the net cash used in operations which were presented in Note 32(a) using the indirect method.

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks RMB'000	Software RMB'000	Business cooperation agreement RMB'000	Customers' relationship RMB'000	Licenses RMB'000	Total RMB'000
Year ended December 31, 2020							
Opening net book amount	4,504,884	524,365	5,943	130,728	137,746	37,407	5,341,073
Additions	–	–	4,179	–	–	–	4,179
Amortization	–	(68,396)	(3,377)	(49,020)	(15,894)	(4,444)	(141,131)
Closing net book amount	4,504,884	455,969	6,745	81,708	121,852	32,963	5,204,121
As at December 31, 2020							
Cost	4,504,884	683,955	12,266	245,111	174,832	40,000	5,661,048
Accumulated amortization	–	(227,986)	(5,521)	(163,403)	(52,980)	(7,037)	(456,927)
Net book amount	4,504,884	455,969	6,745	81,708	121,852	32,963	5,204,121
Year ended December 31, 2021							
Opening net book amount	**4,504,884**	**455,969**	**6,745**	**81,708**	**121,852**	**32,963**	**5,204,121**
Additions	**–**	**–**	**825**	**–**	**–**	**–**	**825**
Disposal	**–**	**–**	**(1,746)**	**–**	**–**	**–**	**(1,746)**
Amortization	**–**	**(68,396)**	**(2,518)**	**(49,020)**	**(15,894)**	**(4,444)**	**(140,272)**
Closing net book amount	**4,504,884**	**387,573**	**3,306**	**32,688**	**105,958**	**28,519**	**5,062,928**
As at December 31, 2021							
Cost	**4,504,884**	**683,955**	**5,824**	**245,111**	**174,832**	**40,000**	**5,654,606**
Accumulated amortization	**–**	**(296,382)**	**(2,518)**	**(212,423)**	**(68,874)**	**(11,481)**	**(591,678)**
Net book amount	**4,504,884**	**387,573**	**3,306**	**32,688**	**105,958**	**28,519**	**5,062,928**

16 INTANGIBLE ASSETS *(continued)*

Amortization expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of revenue	**137,756**	137,756
General and administrative expenses	**1,516**	2,003
Selling and marketing expenses	**1,000**	1,372
	140,272	141,131

Goodwill impairment

The goodwill balance mainly arose from the acquisition of 100% equity interests in Beijing Weige Shidai Entertainment Technology Co., Ltd ("Beijing Weige Shidai") and Shenzhen Ruihai Fangyuan Technology Co., Ltd. ("Ruihai Fangyuan") in 2017, and the acquisition of Hangzhou Soushi Network Co., Ltd ("Hangzhou Soushi") in 2019. Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group.

Upon completion of acquisition of 100% equity interest in Beijing Weige Shidai and Ruihai Fangyuan in 2017, and Hangzhou Soushi in 2019, the Group integrated the business (including the management, assets, customers, users and systems) of Beijing Weige Shidai, Ruihai Fangyuan and Hangzhou Soushi with the Group's movie ticketing business in order to improve the operation efficiency. The management considers that the business of Beijing Weige Shidai, Ruihai Fangyuan, Hangzhou Soushi and the Group's remaining business represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. As a result, goodwill of approximately RMB4,504,884,000 arising from the acquisition of Beijing Weige Shidai, Ruihai Fangyuan and Hangzhou Soushi was allocated to the cash generating unit ("CGU") of the Group.

Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2021. For the purpose of impairment review, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a seven-year period.

16 INTANGIBLE ASSETS *(continued)*

Goodwill impairment *(continued)*

The key parameters used for value-in-use calculations on the Group include revenue growth rates, discount rate, gross margin and terminal growth rate:

	As at December 31, 2021	As at December 31, 2020
Gross margin	**48.7%~54.8%**	59.0%~60.5%
Revenue growth rate of the first five years	**8.5%~21.0%**	209.2% from 2020 to 2021, 9.1%~22.9% from 2022 to 2025
Revenue growth rate of the last two years	**6.4% in 2027 and 5.8% in 2028**	7.3% in 2026 and 5.6% in 2027
Terminal growth rate	**2.3%**	2.6%
Pre-tax discount rate	**16.49%**	17.86%

i) Revenue growth rates

Revenue is directly related to the value of paid transactions on the Group' platform and box office of the Group's business partners.

The revenue growth rates are estimated with reference to the industry growth forecast for the market in which the Group operates. When estimating the revenue growth rate of the first five years, the directors of the Company referred to the forecast of China's movie market, as well as the service fee rate and the Group's market share in China. As such, revenue growth rates from 2022 to 2026 are estimated to range between 8.5% and 21.0%. For the last two years, revenue growth rate are estimated to gradually drop to 6.4% in year 2027 and will further drop to 5.8% in year 2028.

ii) Discount rate

The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The directors have considered the adverse impact of COVID-19 to the estimation of pre-tax discount rate. With the assistance of a valuation performed by a third-party independent valuer, the directors assessed that the pre-tax discount rate for the impairment assessment as at December 31, 2021 would be 16.49% on the basis that the recovery of PRC entertainment industry and movie box office is expected to continue.

16 INTANGIBLE ASSETS *(continued)*

Goodwill impairment *(continued)*

iii) Gross Margin

The budgeted gross margin of the five years between 48.7% and 54.8% (2020: 59.0% and 60.5%) was determined by the management based on past performance, the current market conditions and its expectation for market development. For items of cost of revenue that are related to gross merchandise value of the Group, the Group referred to current fee rate and gross merchandise value projection to project the ticket system cost and internet infrastructure cost.

iv) Terminal growth rate

Cash flows beyond the seven-year period are extrapolated using the estimated terminal growth rates of 2.3% (2020: 2.6%).

Under paragraph 33(b) of IAS 36, a period longer than five years can be used as projections if it is justifiable, and the management of the Group used a seven-year period, which takes into account the length of the post projection period for the cash flow forecast will be perpetuity, and this shall be achieved by identifying a 'steady state' set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given the post COVID-19 recovery of PRC entertainment industry and movie box office, management of the Group considers that the Group's business is expected to reach a steady and stable terminal growth state, which is likely after a seven-year period of gradually declining revenue growth. As a result, management considered that before the projections move into a long term stable period, such momentum of revenue growth until 2026 will continue for another two years after 2026, during which the annual revenue growth rate will gradually drop from 8.5% in year 2026 to 6.4% in year 2027 and will further drop to a 5.8% in year 2028.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the business far exceeded its carrying amount as at December 31, 2021 by approximately RMB8,182,658,000 (2020: RMB11,283,433,000).

The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

16 INTANGIBLE ASSETS *(continued)*

Goodwill impairment *(continued)*

iv) Terminal growth rate *(continued)*

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal growth rate or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Gross margin decreases by 10%	**5,933,000**	8,643,000
Revenue growth rate decreases by 10%	**5,733,000**	6,953,000
Terminal growth rate decreases by 10%	**8,023,000**	11,073,000
Discount rate increases by 5%	**7,323,000**	10,213,000

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**37,121**	37,558
Additions	**9,500**	2,098
Share of losses	**(396)**	(2,535)
At the end of the year	**46,225**	37,121

Set out below are the associates of the Group as at December 31, 2021, which, in the opinion of the directors, none of the associates was individually significant to the Group. The associates as listed below have capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Notes to the Consolidated Financial Statements

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Company name	Date of incorporation	Registered capital (RMB'000)	Percentage of ownership interest attributable to the Group: As at December 31, 2021	Percentage of ownership interest attributable to the Group: As at December 31, 2020	Principal activities and place of operation
Shanghai Chengxin Television Media Co., Ltd. (上海橙芯影視傳媒有限公司)	June 7, 2017	3,750	20%	20%	The PRC; Film production and distribution
Shanghai Mila Television Culture Media Co., Ltd. (上海敉辣影視文化傳播有限公司)	August 14, 2017	6,250	20%	20%	The PRC; Film and television culture communication
Beijing Yaoying Movie Distribution Co., Ltd. (北京耀影電影發行有限公司)	June 3, 2016	19,600	25%	25%	The PRC; Film distribution
Ningbo Zhenhai Changxiangyuefu Culture Media Co., Ltd. (寧波鎮海唱享樂府文化傳播有限公司)	February 24, 2017	1,000	30%	30%	The PRC; Cultural and artistic communication
Xinjiang Weying Network Technology Co., Ltd. (新疆微影網絡科技有限公司)	December 1, 2015	5,000	30%	30%	The PRC; Movie ticketing services and performance ticketing services
Ningbo Meishan Bonded Port Area Chenhaiwenjia Investment Management Limited Partnership (寧波梅山保税港區辰海文嘉投資管理合夥企業(有限合夥))	September 18, 2016	6,000	30%	30%	The PRC; Economic and trade consultation, Strategic investment
Shenzhen Jingtan Manlian Original Culture Co., Ltd (深圳市驚嘆漫鏈原創文化有限公司) (a)	December 20, 2017	1,176	15%	15%	The PRC; Radio, television, film and sound production
Tianjin Weikuaibupo Media Co., Ltd. 天津唯快不破傳媒有限公司	February 7, 2021	15,000	30%	N/A	The PRC; Radio, television, film and sound production
Hangzhou Guanghe Zhizao Food technology Co., Ltd. 杭州光合植造食品科技有限公司(a)	February 26, 2021	1,053	5%	N/A	The PRC; Imports and exports, sales of pre-packaged food

Notes to the Consolidated Financial Statements

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The Group determined that it does not have controlling financial interest in above investees, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There is no contingent liabilities relating to the Group's interest in the associates.

(a) Management determined that the Group can exercise significant influence over Shenzhen Jingtan Manlian Original Culture Co., Ltd and Hangzhou Guanghe Zhizao Food Technology Co., Ltd through the board representation, notwithstanding the shareholdings are 15% and 5%, respectively.

The following table reconciles the combined net assets of the Group's associates to the combined carrying amount of the Group's interest in the associates.

	Combined financial information	
	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Reconciliation to carrying amounts:		
Opening net assets as at beginning of the year	**58,519**	66,946
Capital injection	**19,936**	3,444
Losses for the year	**(4,711)**	(11,871)
Closing net assets as at end of the year	**73,744**	58,519
Percentage of interest	**5%-30%**	15%-30%
Interest in the associates	**19,885**	15,423
Goodwill	**26,340**	21,698
Carrying amount	**46,225**	37,121

Notes to the Consolidated Financial Statements

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Financial assets-fair value		
– Financial assets at fair value through profit or loss	**116,551**	426,177
– Financial assets at fair value through other comprehensive income	**314,632**	316,265
Financial assets-amortized cost		
– Accounts receivables	**909,862**	318,970
– Deposit and other assets (excluding prepayments and contract fulfilment costs for content productions, staff advance and taxes)	**533,204**	974,261
– Term deposits with original maturity over three months	**50,051**	–
– Restricted bank deposits	**23,805**	154,000
– Cash and cash equivalents	**2,519,989**	2,140,149
	4,468,094	4,329,822
Financial liabilities-amortized cost		
– Accounts payables	**293,372**	289,209
– Other payables, accruals and other liabilities (excluding accrual for content production, payroll and welfare payable and other tax liabilities)	**1,820,230**	1,402,884
– Borrowings	**512,500**	1,013,467
– Lease liabilities	**9,075**	22,836
	2,635,177	2,728,396

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**316,265**	356,371
Additions	**35,563**	–
Disposals	**(38,568)**	(4,402)
Changes in fair value	**10,373**	(16,168)
Currency translation differences	**(9,001)**	(19,536)
At the end of the year	**314,632**	316,265

As at December 31, 2021, the Group has interests in Huanxi Media Group Limited ("Huanxi Media"), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, at the balance of RMB240,931,000 (2020: RMB259,617,000). Since the Group has no board seat in Huanxi Media and the investment is intended to hold as strategic investments without trading purpose, management designated this investment as financial assets at fair value through other comprehensive income. The fair value of investment in Huanxi Media is based on quoted market price as at reporting date. During the year ended December 31, 2021, the Group disposed portions of the investment in Huanxi Media in the stock market and realised a gain of approximately RMB11,097,000 (2020: RMB178,000) which was transferred to retained earnings (Note 30).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Current assets		
Investment in wealth management products *(a)*	**–**	195,748
Investment in movies and TV series *(b)*	**93,306**	202,116
	93,306	397,864
Non-current assets		
Investment in unlisted investments *(c)*	**23,245**	25,000
Investment in listed investments *(d)*	**–**	3,313
	23,245	28,313

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**195,748**	267,717
Additions	**690,000**	615,648
Disposals	**(893,755)**	(693,999)
Changes in fair value	**8,007**	6,382
At the end of the year	**–**	195,748

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

(b) Investment in movies and TV series

Movements in investment in movies and TV series were as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**202,116**	214,006
Additions	**22,408**	46,660
Disposals	**(43,641)**	(31,060)
Changes in fair value recognized as revenue *(Note 6)*	**(87,577)**	(27,490)
At the end of the year	**93,306**	202,116

(c) Unlisted investments

The Group's unlisted investments assets include investments in certain private companies. Movements of unlisted investments were as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**25,000**	48,568
Changes in fair value	**(1,755)**	(23,452)
Currency translation differences	**–**	(116)
At the end of the year	**23,245**	25,000

(d) Listed investments

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**3,313**	4,754
Disposals	**(3,716)**	–
Changes in fair value	**482**	(1,199)
Currency translation differences	**(79)**	(242)
At the end of the year	**–**	3,313

Notes to the Consolidated Financial Statements

21 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Total gross deferred income tax assets	**14,549**	14,549
Offsetting	**–**	(2,619)
Net deferred income tax assets	**14,549**	11,930
– to be recovered within 12 months	**–**	–
– to be recovered after 12 months	**14,549**	11,930
	14,549	11,930
Total gross deferred income tax liabilities	**132,016**	159,075
Offsetting	**–**	(2,619)
Net deferred income tax liabilities	**132,016**	156,456
– to be recovered within 12 months	**24,439**	24,439
– to be recovered after 12 months	**107,577**	132,017
	132,016	156,456
Deferred income tax liabilities, net	**(117,467)**	(144,526)

21 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the years ended December 31, 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Impairment of accounts receivables and other receivables RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2020	13,305	1,244	14,549
Credit to consolidated statement of comprehensive income	–	–	–
As at December 31, 2020	13,305	1,244	14,549
As at January 1, 2021	**13,305**	**1,244**	**14,549**
Credit to consolidated statement of comprehensive income	**–**	**–**	**–**
As at December 31, 2021	**13,305**	**1,244**	**14,549**

Notes to the Consolidated Financial Statements

21 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities

	Change in fair value of financial assets at fair value through profit or loss RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
As at January 1, 2020	8,898	180,894	189,792
Charge/(credit) to consolidated statement of comprehensive income	(6,278)	(24,439)	(30,717)
As at December 31, 2020	2,620	156,455	159,075
As at January 1, 2021	**2,620**	**156,455**	**159,075**
Credit to consolidated statement of comprehensive income	**(2,620)**	**(24,439)**	**(27,059)**
As at December 31, 2021	**–**	**132,016**	**132,016**

Deferred income tax assets are recognized for tax losses carrying forward and deductible temporary differences to the extent that realisation of the related tax benefits through future taxable profits is probable. As at December 31, 2021, the Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences of approximately RMB1,085,674,000 (2020: RMB747,570,000). All of these tax losses will expire within 5 years.

As at December 31, 2021, the PRC subsidiaries of the Group has undistributed earnings of approximately RMB1,684,566,000 (2020: RMB1,129,256,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognized as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

22 INVENTORIES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Marketing materials	**325**	9,846
Television and movie scripts	**33,154**	23,733
Low-value consumables, movie service related merchandises and others	**1,570**	1,575
	35,049	35,154

23 ACCOUNTS RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Related parties *(Note 34)*	**294,391**	46,564
Third parties	**814,200**	445,213
	1,108,591	491,777
Less: allowance for impairment *(Note 3.1(b))*	**(198,729)**	(172,807)
	909,862	318,970

(a) The carrying amounts of the accounts receivables balances approximated to their fair value as at December 31, 2021 and 2020. All the accounts receivables balances were denominated in RMB.

23 ACCOUNTS RECEIVABLES *(continued)*

(b) Aging analysis of the gross accounts receivables based on recognition date is as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
0-90 days	**932,614**	271,660
91-180 days	**26,044**	31,383
181-365 days	**11,564**	33,474
Over 365 days	**138,369**	155,260
	1,108,591	491,777

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Prepayment for investments and productions in movies and TV series *(a)*	**1,253,630**	879,973
Deposits and receivables for online entertainment ticketing, e-commerce and other services	**600,501**	916,840
Loans to third parties *(b)*	**169,950**	147,480
Contract fulfilment costs for movie productions	**140,389**	–
Receivables from investments in movies and TV series	**71,029**	76,162
Amounts due from related parties *(Note 34)*	**85,054**	110,267
Others	**131,153**	85,015
	2,451,706	2,215,737
Less: non-current portion	**(4,750)**	(63,675)
	2,446,956	2,152,062
Less: Impairment for financial assets at amortised cost *(Note 3.1 (b))*	**(438,746)**	(298,803)
Less: Impairment for prepayments *(c)*	**(113,468)**	–
	1,894,742	1,853,259

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

(a) The Group offers distribution and promotion services, which is considered as one of the principal activities of the Group. The investments and rights in movie and TV series with distribution and promotion services are designated as prepayments.

(b) The loans to third parties are repayable within 1 year. Except for interest-free and unsecured loans amounting to approximately RMB91,424,000, the remaining loans are interest-bearing at fixed rates ranging from 5% to 13% per annum and secured by the debtors' certain receivables.

(c) The impairment provision mainly represents impairment of prepayments for investments and productions in movies and TV series, which are capitalised movie production and distribution costs subject to impairment assessment. The provision is the excess amount of the carrying amount of prepayments over the expected recoverable amount based on the directors' assessment with reference to relevant factors such as the corresponding contractual terms or mutually agreed arrangements, historical data of comparable movies or TV series with the same major crew members, and the probability of non-performance (i.e. the movies or TV series not able to be exhibited) due to factors including but not limited to major actors of certain projects were replaced, certain subject matters were subject to the risk of rejection, and the deterioration of financial and operational position of the business partners.

During the year ended December 31, 2021, the Group made impairment provision of approximately RMB113,468,000 against prepayments paid to certain business partners based on the expected recoverable amount estimated by the directors in light of the aforementioned considerations.

Notes to the Consolidated Financial Statements

25 CASH AND CASH EQUIVALENTS, TERM DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS AND RESTRICTED BAND DEPOSITS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Cash and bank balances	**2,593,845**	2,294,149
Restricted bank deposits *(a)*	**(23,805)**	(154,000)
Term deposit with original maturity over three months	**(50,051)**	–
Cash and cash equivalents	**2,519,989**	2,140,149
Maximum exposure to credit risk	**2,593,845**	2,294,149

(a) The restricted bank deposits of RMB23,600,000 are held by the accounts as securities for bank borrowings (Note 26). The restricted bank deposits of RMB205,000 represent cash received from customers and reserved in a bank supervised account for payments to cinemas.

(b) Bank balances are denominated in the following currencies:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**1,474,504**	1,689,136
USD	**997,438**	551,859
HKD	**121,903**	53,154
	2,593,845	2,294,149

26 BORROWINGS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Current		
Bank borrowings – due within one year		
– Guaranteed *(a)*	**383,500**	673,467
– Secured *(b)*	**59,000**	340,000
– Unsecured *(c)*	**70,000**	–
	512,500	1,013,467

(a) As at December 31, 2021, bank borrowing amounting to RMB383,500,000 was guaranteed by certain subsidiaries of the Group, with fixed rates of 3.55% to 4.00% per annum.

As at December 31, 2020, bank borrowing amounting to RMB673,467,000 was guaranteed by certain subsidiaries of the Group, with fixed rates of 3.50% to 5.85% per annum.

(b) As at December 31, 2021, bank borrowings of RMB59,000,000 were secured by restricted bank deposits of RMB23,600,000, with fixed rates of 2.36% per annum.

As at December 31, 2020, bank borrowings of RMB340,000,000 were secured by restricted bank deposits of RMB154,000,000, with fixed rates of 2.84% to 2.90% per annum.

(c) As at December 31, 2021, bank borrowing amounting to RMB70,000,000 was unsecured, with fixed rates of 3.85% per annum.

27 ACCOUNTS PAYABLES

Aging analysis of the accounts payables based on invoice date at the respective statement of financial position date is as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
0-90 days	**130,441**	211,412
91-180 days	**38,361**	6,561
181-365 days	**53,126**	26,847
Over 365 days	**71,444**	44,389
	293,372	289,209

28 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Payables in respect of online entertainment ticketing, e-commerce services and advance in respect of content production	**900,665**	1,112,613
Payables in respect of share in the box office receipts	**831,719**	130,537
Payroll and welfare payable	**112,719**	66,948
Loans from third parties *(a)*	**84,526**	44,603
Amounts due to related parties *(Note 34)*	**82,404**	58,647
Other tax liabilities	**8,325**	6,180
Others	**30,350**	56,484
	2,050,708	1,476,012

(a) The loans from third parties are interest-free, unsecured and repayable within 1 year.

29 SHARE CAPITAL

	Number of ordinary shares	Number of ordinary shares pursuant to restricted share agreement	Total number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000
Issued and fully paid:					
As at January 1, 2020	1,110,489,075	19,277,225	1,129,766,300	22.50	152
Restricted shares vested	–	767,356	767,356	–	–
Issuance of new shares under share option scheme	5,943,711	–	5,943,711	0.10	1
As at December 31, 2020	1,116,432,786	20,044,581	1,136,477,367	22.60	153
As at January 1, 2021	**1,116,432,786**	**20,044,581**	**1,136,477,367**	**22.60**	**153**
Restricted shares vested	**–**	**2,555,022**	**2,555,022**	**0.11**	**–**
Issuance of new shares under share option scheme	**2,587,858**	**–**	**2,587,858**	**0.12**	**1**
As at December 31, 2021	**1,119,020,644**	**22,599,603**	**1,141,620,247**	**22.83**	**154**

As of December 31, 2021 and 2020, the Company's authorized share capital amounted to USD50,000 divided into 2,500,000,000 shares of USD0.00002 each.

Notes to the Consolidated Financial Statements

30 RESERVES

	Share premium RMB'000	Capital reserves RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Convertible bonds RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Other reserves RMB'000	Total RMB'000
As at January 1, 2020	2,276,898	5,592,299	(27,052)	(3,676)	385,951	67,011	(8,400)	8,283,031
Issuance of new shares under share option scheme	79,700	–	–	–	(79,224)	–	–	476
Share-based compensation expenses	–	–	–	–	72,603	–	–	72,603
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	(16,168)	–	–	–	–	(16,168)
Transfer of gain upon disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	(178)	–	–	–	–	(178)
Currency translation differences	–	–	–	–	–	(75,624)	–	(75,624)
As at December 31, 2020	2,356,598	5,592,299	(43,398)	(3,676)	379,330	(8,613)	(8,400)	8,264,140
As at January 1, 2021	**2,356,598**	**5,592,299**	**(43,398)**	**(3,676)**	**379,330**	**(8,613)**	**(8,400)**	**8,264,140**
Issuance of new shares under share option scheme	**38,180**	**–**	**–**	**–**	**(33,896)**	**–**	**–**	**4,284**
Issuance of new shares under RSU scheme	**26,072**	**–**	**–**	**–**	**(26,072)**	**–**	**–**	**–**
Share-based compensation expenses	**–**	**–**	**–**	**–**	**33,417**	**–**	**–**	**33,417**
Changes in the fair value of equity investments at fair value through other comprehensive income	**–**	**–**	**10,373**	**–**	**–**	**–**	**–**	**10,373**
Transfer of gain upon disposal of equity investments at fair value through other comprehensive income to retained earnings	**–**	**–**	**(11,097)**	**–**	**–**	**–**	**–**	**(11,097)**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(51,964)**	**–**	**(51,964)**
As at December 31, 2021	**2,420,850**	**5,592,299**	**(44,122)**	**(3,676)**	**352,779**	**(60,577)**	**(8,400)**	**8,249,153**

31 SHARE INCENTIVE PLAN

The share-based compensation expenses recognized during years ended December 31, 2021 and 2020 are summarized in the following table:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share-based compensation expenses	**33,417**	72,603

ESOP Plan of the Company

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted the ESOP Plan on July 23, 2018. The ESOP Plan include Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the Post-IPO RSU Scheme.

The total number of shares issued or issuable pursuant to the ESOP Plan shall not be more than 117,033,705 shares of the Company, representing approximately 10.3% of the total issued share capital of the Company as at December 31, 2021, out of which, the maximum number of shares that may be issued upon exercise of all options granted and to be granted under the Pre-IPO Share Option Scheme shall be no more than 42,544,600 shares, and the total number of shares which may be issued upon exercise of options that may be granted under the Post-IPO Share Option Scheme and the RSU Scheme shall not exceed 55,211,880 shares in aggregate.

(a) Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted by the Company as a continuation and restructuring of the 2016 ESOP following the Reorganization, which was established to recognize and reward the contribution of the participants to the growth and development of Tianjin Maoyan Weying. The 2016 ESOP was terminated as a result of the adoption of the Pre-IPO Share Option Scheme.

Notes to the Consolidated Financial Statements

31 SHARE INCENTIVE PLAN *(continued)*

ESOP Plan of the Company *(continued)*

(a) ***Pre-IPO Share Option Scheme*** *(continued)*

Movements of Pre-IPO share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price	**Number of share options of the Company**
Outstanding balance as at January 1, 2020	RMB8.9102	33,964,085
Exercised	RMB0.0821	(5,943,711)
Lapsed	RMB12.7444	(360,386)
Forfeited	RMB11.6083	(6,908,127)
Outstanding balance as at December 31, 2020	RMB10.4740	20,751,861
Exercised	**RMB0.9324**	**(2,422,264)**
Lapsed	**RMB12.5953**	**(574,470)**
Forfeited	**RMB6.9346**	**(307,613)**
Outstanding balance as at December 31, 2021	**RMB11.7912**	**17,447,514**

During the year ended December 31, 2021, the market price of the Company's shares as at the dates of exercise ranges from RMB7.08 per share to RMB15.03 per share (during the year ended December 31, 2020: RMB7.38 per share to RMB13.99 per share).

As at December 31, 2021, out of 17,447,514 share options, 10,692,399 share options were vested and exercisable.

31 SHARE INCENTIVE PLAN *(continued)*

ESOP Plan of the Company *(continued)*

(b) Post-IPO Share Option Scheme

Since the initial public offering day, February 4, 2019, the Company granted share options to certain employees and directors under the Post-IPO Share Option Scheme.

Movements of Post-IPO share options outstanding and their related exercise prices are as follows:

	Average exercise prices	**Number of share options of the Company (after Subdivision)**
Outstanding balance as at January 1, 2020	RMB12.6155	4,960,620
Granted	RMB9.5783	2,647,822
Lapsed	RMB12.8424	(55,903)
Forfeited	RMB11.8590	(1,726,714)
Outstanding balance as at December 31, 2020	RMB11.4571	5,825,825
Granted	**RMB10.9930**	**15,066,000**
Exercised	**RMB12.8424**	**(165,594)**
Lapsed	**RMB12.5480**	**(321,267)**
Forfeited	**RMB12.1281**	**(623,965)**
Outstanding balance as at December 31, 2021	**RMB11.0514**	**19,780,999**

During the year ended December 31, 2021, the market price of the Company's shares as at the dates of exercise ranges from RMB7.08 per share to RMB15.03 per share (during the year ended December 31, 2020: RMB7.38 per share to RMB13.99 per share).

As at December 31, 2021, out of 19,780,999 share options, 1,699,394 share options were vested and exercisable.

31 SHARE INCENTIVE PLAN *(continued)*

ESOP Plan of the Company *(continued)*

(c) Fair value of options

The Group used the Binomial Model to determine the fair value of the options as at the respective grant dates during the prior financial years. In view of the fact that the share options granted on January 19, 2021 has specified market conditions to be satisfied, the Group has used the Monte Carlo Model to determine the fair value of the options at the grant date during the year ended December 31, 2021. The weighted average fair value of share options granted by Maoyan Entertainment during the year ended December 31, 2021 was RMB5.17 per share option (during the year ended December 31, 2020: RMB4.35 per share option).

Other than the exercise price mentioned above, significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the valuation model, which are summarized as below.

	Year ended December 31,	
	2021	2020
Risk free rate	**0.8%**	0.6%
Dividend yield	**0.0%**	0.0%
Expected volatility	**45%**	40%

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the comparable companies.

Expected retention rate

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at December 31, 2021 and December 31, 2020, the Expected Retention Rate was assessed to be 95.0% and 94.5%, respectively.

31 SHARE INCENTIVE PLAN *(continued)*

ESOP Plan of the Company *(continued)*

(d) Post-IPO RSU Scheme

On May 1 and November 26, 2021, the Company granted restricted share units ("RSUs") to certain of the Group's employees (the "Grantees") subject to Post-IPO RSU Scheme, representing ordinary shares of par value USD0.00002 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over certain period of employment with the Group or period of service to the Group, on the condition that employees remain employed and continue to provide service to the Group without any performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

Details of RSUs are as follows:

Grant date	Number of RSUs	Vesting condition
May 1, 2021	349,378	50% are to be vested 24 months from the Grant Date 25% are to be vested 36 months from the Grant Date 25% are to be vested 48 months from the Grant Date
May 1, 2021	100,000	25% are to be vested 12 months from the Grant Date 25% are to be vested 24 months from the Grant Date 25% are to be vested 36 months from the Grant Date 25% are to be vested 48 months from the Grant Date
November 26, 2021	754,100	50% are to be vested 24 months from the Grant Date 25% are to be vested 36 months from the Grant Date 25% are to be vested 48 months from the Grant Date
November 26, 2021	760,000	25% are to be vested 12 months from the Grant Date 25% are to be vested 24 months from the Grant Date 25% are to be vested 36 months from the Grant Date 25% are to be vested 48 months from the Grant Date

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

Notes to the Consolidated Financial Statements

31 SHARE INCENTIVE PLAN *(continued)*

ESOP Plan of the Company *(continued)*

(d) ***Post-IPO RSU Scheme*** *(continued)*

Expected retention rate

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of the vesting periods (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the combined statement of comprehensive income. As at 31 December 2021, the Expected Retention Rate was assessed to be close to 95.0% (2020: 94.5%)

Movements of the Post-IPO RSU granted are as follows:

	Fair value	Number of shares (after Subdivision)
Outstanding balance as at January 1, 2020	RMB10.9967	4,720,961
Granted	RMB9.5783	8,608,779
Forfeited	RMB10.1383	(1,515,724)
Outstanding balance as at December 31, 2020	RMB10.0733	11,814,016
Granted	**RMB8.6484**	**1,963,478**
Vested	**RMB10.2043**	**(2,555,022)**
Forfeited	**RMB10.2394**	**(4,006,498)**
Outstanding balance as at December 31, 2021	**RMB9.5469**	**7,215,974**

32 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from/(used in) operations

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Profit/(loss) before income tax	**534,844**	(628,621)
Adjustments for:		
– Share-based compensation expenses *(Note 9)*	**33,417**	72,603
– Depreciation of property, plant and equipment *(Note 14)*	**17,004**	16,530
– Amortization of intangible assets *(Note 16)*	**140,272**	141,131
– Depreciation of right-of-use asset *(Note 15)*	**13,667**	13,666
– Unwinding of interest on lease liabilities *(Note 15)*	**747**	1,462
– Gains on COVID-19 rent concessions *(Note 15)*	**–**	(1,281)
– Loss on disposals of property, plant and equipment *(Note 8)*	**594**	208
– Loss on disposals of Intangible assets *(Note 8)*	**1,746**	–
– Share of losses of investments accounted for using the equity method *(Note 17)*	**396**	2,535
– Interest income from bank deposits *(Note 10)*	**(28,246)**	(15,891)
– Interest expense on bank borrowings *(Note 10)*	**30,542**	36,371
– Net impairment losses on financial assets *(Note 3.1(b))*	**194,060**	418,356
– Net impairment losses on non-financial assets *(Note 24)*	**113,468**	–
– Fair value loss on financial assets at fair value through profit or loss *(Notes 6 and 8)*	**80,843**	45,759
Cash generated from operations before changes in working capital	**1,133,354**	102,828
Changes in working capital:		
– Inventories	**105**	(6,922)
– Accounts receivables	**(645,009)**	111,670
– Prepayments, deposits and other receivables	**(239,669)**	102,808
– Accounts payables	**4,163**	(78,448)
– Other payables, accruals and other liabilities	**534,773**	192,771
	787,717	424,707

32 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Loans from third parties RMB'000	Lease liabilities RMB'000	Total RMB'000
As at January 1, 2021	**1,013,467**	**44,603**	**22,836**	**1,080,906**
Proceeds from borrowings	512,500	–	–	512,500
Proceeds from loans from third parties	–	39,923	–	39,923
Repayment of borrowings	(1,013,467)	–	–	(1,013,467)
Principal elements of lease payments	–	–	(14,508)	(14,508)
Interest expenses on lease liabilities	–	–	747	747
As at December 31, 2021	**512,500**	**84,526**	**9,075**	**606,101**

33 CAPITAL COMMITMENTS

As at December 31, 2021, capital expenditure contracted for but not yet incurred by the Group amounted to approximately RMB568,391,000 with respect to investments and productions in certain movies and TV series (2020: RMB243,199,000).

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

Name of the related parties	Nature of relationship
Meituan and its subsidiaries (collectively "Meituan Group")	One of the Company's shareholders
Enlight Investment and Enlight Media and their subsidiaries (collectively "Enlight Group")	One of the Company's shareholders
Beijing Weying Shidai and its subsidiaries (collectively "Beijing Weying Shidai Group")	One of the Company's shareholders
Tencent and its subsidiaries (collectively "Tencent Group")	One of the Company's shareholders
Beijing Yaoying Movie Distribution Co., Ltd. ("Beijing Yaoying")	The associate of the Group
Shanghai Mila Television Culture Media Co., Ltd. ("Shanghai Mila")	The associate of the Group
Shanghai Chengxin Television Media Co., Ltd. ("Shanghai Chengxin")	The associate of the Group
Hangzhou Guanghe Zhizao Food Technology Co., Ltd. ("Hangzhou Guanghe")	The associate of the Group

Save as disclosed elsewhere in the consolidated financial statements, the following significant transactions were carried out between the Group and its related parties during years ended December 31, 2021. In the opinion of the Company's directors, the following related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) In May 2016, the Group entered into a strategic cooperation agreement and formed a strategic partnership with the shareholder, Meituan. As part of the strategic partnership, Meituan and the Group agreed to cooperate in a number of areas with no charge. The strategic cooperation agreement had a term of five years and was recently extended till September 2022. The strategic cooperation agreement applies within the PRC.

Notes to the Consolidated Financial Statements

34 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(b) Revenue from transactions with related parties

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Tencent Group	**65,283**	30,962
Enlight Group	**21,585**	32,160
Shanghai Chengxin	**6,814**	1,531
Beijing Yaoying	**1,138**	472
Meituan Group	**–**	209
	94,820	65,334

(c) Purchase of management services

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Meituan Group	**179,886**	117,458
Tencent Group	**41,323**	29,676
Enlight Group	**2,129**	2
Beijing Yaoying	**–**	896
	223,338	148,032

(d) Movie cards consideration received on behalf of the Group

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Enlight Group	**1,753**	859
Tencent Group	**1,194**	2,193
Meituan Group	**649**	1,119
Beijing Yaoying	**46**	108
Beijing Weying Shidai Group	**–**	110
	3,642	4,389

34 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(e) Balances with related parties

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Receivables from related parties		
– Accounts receivables		
Tencent Group	**284,477**	2,222
Enlight Group	**6,041**	28,005
Shanghai Chengxin	**3,554**	14,418
Beijing Yaoying	**319**	63
Beijing Weying Shidai Group	**–**	1,812
Meituan Group	**–**	44
	294,391	46,564
Less: allowance for impairment	**(23,535)**	(4,345)
	270,856	42,219
– Prepayments, deposits and other receivables		
Meituan Group	**42,740**	54,567
Shanghai Chengxin	**18,087**	22,087
Hangzhou Guanghe	**11,500**	–
Tencent Group	**8,000**	194
Shanghai Mila	**4,717**	4,717
Enlight Group	**10**	3
Beijing Weying Shidai Group	**–**	28,699
	85,054	110,267
Less: allowance for impairment	**(22,931)**	(36,404)
	62,123	73,863

34 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(e) Balances with related parties *(continued)*

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Payables to related parties		
– Accounts payables		
Tencent Group	**4,880**	–
Enlight Group	**181**	–
	5,061	–
Payables to related parties		
– Other payables, accruals and other liabilities		
Meituan Group	**48,880**	35,429
Enlight Group	**22,215**	83
Tencent Group	**11,309**	19,895
Beijing Weying Shidai Group	**–**	3,240
	82,404	58,647

The receivables and payables due from/to related parties are unsecured, interest-free and are repayable on demand.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(f) Key management compensation

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share-based compensation expenses	**13,526**	12,665
Wages, salaries and bonuses	**6,397**	7,100
Welfare, medical and other expenses	**73**	60
Contributions to pension plans	**39**	3
	20,035	19,828

35 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at December 31, 2021 and 2020.

36 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current asset			
Investment in a subsidiary	*(a)*	**13,960,000**	17,259,999
Financial assets at fair value through profit or loss		**–**	3,313
Financial assets at fair value through other comprehensive income		**260,058**	279,192
		14,220,058	17,542,504
Current assets			
Prepayments, deposits and other receivables		**444,267**	784,787
Financial assets at fair value through profit or loss		**–**	195,749
Cash and cash equivalents		**1,147,463**	589,926
		1,591,730	1,570,462
Total assets		**15,811,788**	19,112,966
EQUITY			
Share capital		**154**	153
Reserves	*(b)*	**24,507,126**	24,477,789
Accumulated losses		**(8,781,351)**	(5,415,801)
Total equity		**15,725,929**	19,062,141
LIABILITIES			
Current liabilities			
Other payables, accruals and other liabilities		**85,859**	50,825
Total liabilities		**85,859**	50,825
Total equity and liabilities		**15,811,788**	19,112,966

The financial position of the Company was approved for issue by the Board of Directors on March 24, 2022 and were signed on its behalf.

Zheng Zhihao
Executive Director and Chief Executive Officer

Miao Boshu
Financial Controller

36 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY *(continued)*

(a) Investments in a subsidiary

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Investment in a subsidiary *(i)*	**22,200,000**	22,200,000
Deemed investments arising from share-based compensation expenses *(ii)*	**371,098**	337,681
Less: allowance for impairment of investment in a subsidiary *(i)*	**(8,611,098)**	(5,277,682)
	13,960,000	17,259,999

(i) As at December 31, 2021, the Company recognized impairment of RMB8,611,098,000 on investment in a subsidiary according to the valuation on the recoverable amount of the investment in a subsidiary. The recoverable amount was determined based on value-in-use calculations which use cash flow projections based on financial budgets (2020: RMB5,277,682,000).

(ii) The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees of the subsidiaries (Note 31) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

Notes to the Consolidated Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY *(continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Currency translation differences RMB'000	Other reserves RMB'000	Total RMB'000
As at January 1, 2020	2,276,898	(27,052)	77,529	22,170,873	24,498,248
Issuance of new shares under share option scheme	79,700	–	–	(79,224)	476
Share-based compensation expenses	–	–	–	72,603	72,603
Changes in the fair value of equity investments at fair value through other comprehensive income	–	(16,168)	–	–	(16,168)
Transfer of gain upon disposal of equity investments at fair value through other comprehensive income to retained earnings	–	(178)	–	–	(178)
Currency translation differences	–	–	(77,192)	–	(77,192)
As at December 31, 2020	2,356,598	(43,398)	337	22,164,252	24,477,789
As at January 1, 2021	**2,356,598**	**(43,398)**	**337**	**22,164,252**	**24,477,789**
Issuance of new shares under share option scheme	**38,180**	**–**	**–**	**(33,896)**	**4,284**
Issuance of new shares under RSU scheme	**26,072**	**–**	**–**	**(26,072)**	**–**
Share-based compensation expenses	**–**	**–**	**–**	**33,417**	**33,417**
Changes in the fair value of equity investments at fair value through other comprehensive income	**–**	**10,373**	**–**	**–**	**10,373**
Transfer of gain upon disposal of equity investments at fair value through other comprehensive income to retained earnings	**–**	**(11,097)**	**–**	**–**	**(11,097)**
Currency translation differences	**–**	**–**	**(7,640)**	**–**	**(7,640)**
As at December 31, 2021	**2,420,850**	**(44,122)**	**(7,303)**	**22,137,701**	**24,507,126**

37 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) as at December 31, 2021 and 2020 are set out below. Unless otherwise stated, they have capital consisting solely of ordinary shares that are held directly by the Group. The place of establishment/incorporation is also their principal place of business.

Company name	Place of incorporation and kind of legal entity	Principal activities	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Ownership interest held by the Group As at December 31, 2021	2020
Maoyan Entertainment (BVI) Ltd.	BVI, limited liability company	Investment holding	December 12, 2017	United States Dollar ("USD") 50,000	**100.00%**	100.00%
Maoyan Entertainment HK	Hong Kong, limited liability company	Investment holding	January 4, 2018	Hong Kong Dollar ("HKD") 10,000	**100.00%**	100.00%
Hong Kong Maoyan Live Entertainment Limited (香港貓眼現場娛樂有限公司)	Hong Kong, limited liability company	Movie ticketing services, Performance ticketing services	June 18, 2019	Hong Kong Dollar ("HKD") 10,000	**100.00%**	100.00%
Tianjin Maoyan Weying (天津貓眼微影文化傳媒有限公司)	PRC, limited liability company	Movie ticketing services, Film investment and distribution	May 27, 2015	RMB86,457,811	**100.00%**	100.00%
Beijing Maoyan (北京貓眼文化傳媒有限公司)	PRC, limited liability company	Online ticketing platform services, Film investment and distribution	November 12, 2015	RMB10,000,000	**100.00%**	100.00%
Xinjiang Maoyan Network Technology Co. Ltd. (新疆貓眼網絡科技有限公司)	PRC, limited liability company	Movie ticketing services	November 10, 2016	RMB10,000,000	**100.00%**	100.00%
Tianjin Maoyan Pictures Co., Ltd. (天津貓眼影業有限公司)	PRC, limited liability company	TV series investment and distribution	June 8, 2015	RMB50,000,000	**100.00%**	100.00%
Maoyan Enterprise (天津貓眼企業管理諮詢有限公司)	PRC, limited liability company	Economic and trade consultation, Strategic investment	March 1, 2017	RMB1,000,000	**100.00%**	100.00%
Beijing Weige Shidai (北京微格時代娛樂科技有限公司)	PRC, limited liability company	Movie ticketing services, Performance ticketing services	March 9, 2016	RMB5,000,000	**100.00%**	100.00%
Ruihai Fangyuan (深圳市瑞海方圓科技有限公司)	PRC, limited liability company	Online movie ticketing services	July 13, 2017	RMB200,000,000	**100.00%**	100.00%

Notes to the Consolidated Financial Statements

37 SUBSIDIARIES *(continued)*

Company name	Place of establishment/ incorporation	Principal activities	Date of establishment /incorporation	Particulars of registered capital/issued capital	Ownership interest held by the Group As at December 31, 2021	2020
Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory; Ticket agency; Film project technology advisory etc.	February 5, 2018	USD200,000,000	**100.00%**	100.00%
Maoyan Live JV (天津貓眼現場科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory, Performance ticketing services etc.	June 19, 2018	RMB5,000,000	**100.00%**	100.00%
Tianjin Meimao Cultural Media Co., Ltd. (天津美貓文化傳媒有限公司)	PRC, limited liability company	Film investment and distribution	November 22, 2018	RMB5,000,000	**100.00%**	100.00%
Shanghai Maoyan Network Technology Co., Ltd. (上海貓演網絡科技有限公司)	PRC, limited liability company	Network technology service, development, advisory; Ticket agency; e-Business etc.	February 13, 2019	RMB1,000,000	**100.00%**	100.00%
Maoyan (Tianjin) International Commercial Factoring Co., Ltd. (貓眼(天津)國際商業保理有限公司)	PRC, limited liability company	Commercial Factoring	April 16, 2019	RMB50,000,000	**100.00%**	100.00%
Beijing Maoyan Weying Technology Co., Ltd. (北京貓眼微影科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory; Ticket agency; Film project technology advisory etc.	April 29, 2019	RMB5,000,000	**100.00%**	100.00%

37 SUBSIDIARIES *(continued)*

Company name	Place of establishment/ incorporation	Principal activities	Date of establishment /incorporation	Particulars of registered capital/issued capital	Percentage of attributable equity interest As at December 31 2021	2020
Shanghai Maoyan Pictures Co., Ltd. (上海貓眼影業有限公司)	PRC, limited liability company	Film investment and distribution	May 15, 2019	RMB50,000,000	**100.00%**	100.00%
Hangzhou Soushi Network Technology Co., Ltd. (杭州搜視網絡有限公司)	PRC, limited liability company	Network technology service, development, advisory; Ticket agency; e-Business etc.	April 23, 2008	RMB10,000,000	**100.00%**	100.00%
Zhejiang Haoying Network Technology Co., Ltd. (浙江浩影網絡有限公司)	PRC, limited liability company	Network technology service, development, advisory; Ticket agency; e-Business etc.	June 24, 2004	RMB10,000,000	**100.00%**	100.00%
Tianjin Maoyan Culture Development Co., Ltd. (天津貓眼文化發展有限公司)	PRC, limited liability company	Film investment and distribution	June 24, 2019	RMB50,000,000	**100.00%**	100.00%
Tianjin Maoyan Culture IT Consultation Co., Ltd. (天津貓眼文化信息諮詢有限公司)	PRC, limited liability company	Film investment and distribution	July 17, 2019	RMB1,000,000	**100.00%**	100.00%
Shenzhen Maoyan Weying Technology Co., Ltd. (深圳貓眼微影科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory; Ticket agency; Film project technology advisory etc.	July 24, 2019	RMB5,000,000	**100.00%**	100.00%
Tianjin Maoyan Cultural Entertainment Co., Ltd. (天津貓眼文化娛樂有限公司)	PRC, limited liability company	Movie ticketing services, Performance ticketing services	December 25, 2019	RMB5,000,000	**100.00%**	100.00%
Shanghai Maoyan Cultural Entertainment Co., Ltd. (上海貓眼文化娛樂有限公司)	PRC, limited liability company	Acting agent; literary creation and performance	March 6, 2020	RMB1,000,000	**100.00%**	100.00%
Jiangsu Maoyan Culture Media Co., Ltd. (江蘇貓眼文化傳媒有限公司)	PRC, limited liability company	Production and operation of radio and TV programs; film distribution; TV series production; performance agent; imports and exports	March 27, 2020	RMB10,000,000	**100.00%**	100.00%
Zhejiang Maoyan Pictures Co., Ltd. (浙江貓眼影業有限公司)	PRC, limited liability company	Distribution, production and promotion of movies, games, variety shows, cartoons, radio dramas, TV dramas and advertisements;	January 13, 2020	RMB50,000,000	**100.00%**	100.00%

37 SUBSIDIARIES *(continued)*

Company name	Place of establishment/ incorporation	Principal activities	Date of establishment /incorporation	Particulars of registered capital/issued capital	Percentage of attributable equity interest As at December 31 2021	2020
Xiamen Maoyan Culture Media Co., Ltd. (廈門貓影文化傳媒有限公司)	PRC, limited liability company	Film distribution; film projection; TV series distribution; audio-visual products production; TV series production; performance agent; commercial performance; performance venue management; radio and television program production and management	July 29, 2020	RMB10,000,000	**100.00%**	100.00%
Maoyan Live	Cayman Island, limited liability company	Investment holding	January 13, 2021	USD50,000	**100.00%**	N/A
Hongkong Maoyan Live Limited	Hong Kong, limited liability company	Investment holding	January 19, 2021	HKD10,000	**100.00%**	N/A
Hongkong TM Live Limited	Hong Kong, limited liability company	Investment holding	January 29, 2021	HKD10,000	**100.00%**	N/A
Xiamen Zhuamiao Media Co., Ltd (廈門爪喵傳媒有限公司)	PRC, limited liability company	Production and operation of radio and TV programs; film distribution; TV series production; performance agent; imports and exports	March 25, 2021	RMB2,000,000	**100.00%**	N/A
Xiamen Miaojuju Media Co., Ltd. (廈門喵劇劇傳媒有限公司)	PRC, limited liability company	Production and operation of radio and TV programs; film distribution; TV series production; performance agent; imports and exports	April 2, 2021	RMB2,000,000	**100.00%**	N/A
Shanghai Tengmao Network Technology Co., Ltd. (上海騰貓網絡科技有限公司)	PRC, limited liability company	Performance agent, performance sites management etc.	April 14, 2021	RMB30,000,000	**100.00%**	N/A
Maoyan (Xiamen) Private Fund Co., Ltd. (貓眼(廈門)私募基金管理有限公司)	PRC, limited liability company	Fund management	June 4, 2021	RMB10,000,000	**100.00%**	N/A
Hubei Maoyan Culture Technology Co., Ltd. (湖北貓眼文化科技有限公司)	PRC, limited liability company	Network technology service; Production and operation of radio and TV programs; film distribution; TV series production; etc.	August 9, 2021	RMB10,000,000	**80.00%**	N/A
Hubei Maoyan Pictures Co., Ltd. (湖北貓眼影業有限公司)	PRC, limited liability company	Production and operation of radio and TV programs; film distribution; TV series production; performance agent; imports and exports	August 18, 2021	RMB3,000,000	**100.00%**	N/A

38 DIRECTORS' REMUNERATION

The remuneration of each director for the year ended December 31, 2021 are set out as follows:

	Director's fee RMB'000	Salaries and wages RMB'000	Bonuses RMB'000	Pension costs-defined contribution plan RMB'000	Other employee benefits RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive director							
– Mr. ZHENG Zhihao	–	2,153	720	–	–	7,825	10,698
Non-executive directors							
– Mr. TANG Lichun	–	–	–	–	–	–	–
– Mr. CHENG Wu	–	–	–	–	–	–	–
– Mr. WANG Changtian	–	–	–	–	–	–	–
– Ms. LI Xiaoping	–	–	–	–	–	–	–
– Ms. WANG Jian	–	–	–	–	–	–	–
– Mr. CHEN Shaohui	–	–	–	–	–	–	–
– Mr. LIN Ning	–	–	–	–	–	–	–
Independent non-executive directors							
– Mr. WANG Hua	291	–	–	–	–	–	291
– Mr. CHAN Charles Sheung Wai	291	–	–	–	–	–	291
– Ms. LIU Lin	291	–	–	–	–	–	291
– Mr. YIN Hong	291	–	–	–	–	–	291
	1,164	2,153	720	–	–	7,825	11,862

38 DIRECTORS' REMUNERATION *(continued)*

The remuneration of each director for the year ended December 31, 2020 are set out as follows:

	Director's fee RMB'000	Salaries and wages RMB'000	Bonuses RMB'000	Pension costs-defined contribution plan RMB'000	Other employee benefits RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive director							
– Mr. ZHENG Zhihao	–	2,153	732	–	–	–	2,885
Non-executive directors							
– Mr. TANG Lichun	–	–	–	–	–	–	–
– Mr. CHENG Wu	–	–	–	–	–	–	–
– Mr. WANG Changtian	–	–	–	–	–	–	–
– Ms. LI Xiaoping	–	–	–	–	–	–	–
– Ms. WANG Jian	–	–	–	–	–	–	–
– Mr. CHEN Shaohui	–	–	–	–	–	–	–
– Mr. LIN Ning	–	–	–	–	–	–	–
– Mr. ZHAN Weibiao	–	–	–	–	–	–	–
Independent non-executive directors							
– Mr. WANG Hua	311	–	–	–	–	–	311
– Mr. CHAN Charles Sheung Wai	311	–	–	–	–	–	311
– Mr. MA Dong	249	–	–	–	–	–	249
– Mr. LUO Zhenyu	130	–	–	–	–	–	130
– Ms. LIU Lin	183	–	–	–	–	–	183
– Mr. YIN Hong	63	–	–	–	–	–	63
	1,247	2,153	732	–	–	–	4,132

38 DIRECTORS' REMUNERATION *(continued)*

(a) Directors' remuneration

During the year ended December 31, 2021 and 2020, no directors received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; no directors and senior management waived or has agreed to waive any emoluments.

(b) Directors' retirement benefit

During the year ended December 31, 2021 and 2020, no retirement benefits paid to the directors of the Company by a defined benefit pension plan operated by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(c) Directors' termination benefit

During the year ended December 31, 2021 and 2020, no payments to the directors of the Company as compensation for the early termination of the appointment.

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

During the year ended December 31, 2021 and 2020, the Company did not provide to any third party for making available director's services.

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

During the year ended December 31, 2021 and 2020, no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2021 and 2020.

39 FROZEN EQUITY INTERESTS OF TIANJIN MAOYAN WEYING

As disclosed in Note 2.2(a), Tianjin Maoyan Weying is a PRC subsidiary controlled by the Group through Contractual Arrangements. Beijing Shiji Weying is a Registered Shareholder of Tianjin Maoyan Weying and holds approximately 26.9% equity interests (the "Equity Interests") of Tianjin Maoyan Weying. As at December 31, 2021, the Equity Interests were frozen due to the following two cases:

i) Beijing Weying Shidai Case

Beijing Weying Shidai, an affiliated company of Beijing Shiji Weying, which transferred the Equity Interests to Beijing Shiji Weying in 2018 for preparation the Listing (the "Transfer"). Prior to the Transfer, Beijing Weying Shidai originally entered into contractual agreements with the WFOE, Tianjin Maoyan Weying and its registered shareholders in July 2018. Subsequent to the Transfer, Beijing Shiji Weying signed the contractual agreements in August 2018 as part of the Contractual Arrangements as disclosed in Note 2.2(a).

Since Beijing Weying Shidai was involved in certain debt disputes involving approximately USD6,058,000 with a creditor who initiated lawsuits with Beijing Weying Shidai as defendant, a court in the PRC issued a civil paper (Document 2021 Jing 04 Zhi 480) ("Civil Paper 480"), pursuant to which the Equity Interests were frozen for the purpose of cancelling the Transfer and transferring the Equity Interests back to Beijing Weying Shidai.

Beijing Weying Shidai now is still in the process of negotiating with the creditor on the settlement of the debt in dispute. As at December 31, 2021 and the approval date of the financial statements, the Equity Interests are remained frozen by this case.

ii) Beijing Shiji Weying Case

Beijing Shiji Weying was involved in certain debt disputes involving approximately RMB19,938,000 with another creditor who initiated an arbitration with Beijing Shiji Weying as one of the respondents. Pursuant to a civil paper (Document 2021 Jing 01 Cai Bao 159) ("Civil Paper 159") issued by the court, the Equity Interests were frozen. Subsequent to the year end date, Beijing Shiji Weying entered into a settlement agreement with this creditor who has filed an application to the court to unfreeze the Equity Interests.

Up to the approval date of the financial statements, the Equity Interests are no longer frozen and released under Beijing Shiji Weying case.

39 FROZEN EQUITY INTERESTS OF TIANJIN MAOYAN WEYING *(continued)*

In response to the above cases, Beijing Shiji Weying and Beijing Weying Shidai co-issued a letter of confirmation (the "Confirmation") to Tianjin Maoyan Weying and WFOE, pursuant to which they agreed to comply and fulfil all the terms and conditions, responsibilities and obligations under the contractual agreements including but not limited to fully cooperating when WFOE exercises its irrevocable and exclusive right to purchase the Equity Interests, or transfer the Equity Interests to WFOE's assignee at WFOE's request.

The directors of the Company, based on the advice of its PRC legal advisors, considered that the contractual arrangements as disclosed in Note 2.2(a) and the Confirmation are in compliance with relevant PRC laws and regulations and are legally binding and enforceable. There is no significant impact to the consolidation of Tianjin Maoyan Weying.

Financial Summary

RESULTS

	For the Year ended December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Continuing operations					
Revenue	2,547,982	3,754,959	4,267,514	1,365,690	**3,323,415**
Gross profits	1,742,028	2,356,246	2,657,147	537,334	**1,842,231**
(Losses)/profits before income tax	(75,834)	(148,044)	661,541	(628,621)	**534,844**
Income tax credits/(expenses)	(179)	9,648	(202,684)	(17,651)	**(166,342)**
(Losses)/profits for the year from continuing operations	(76,013)	(138,396)	458,857	(646,272)	**368,502**
(Losses)/profits attributable to:					
Owners of the Company	(75,469)	(137,088)	463,456	(646,272)	**368,502**
Non-controlling interests	(544)	(1,308)	(4,599)	–	**–**

ASSETS AND LIABILITIES

	As at December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	9,038,791	9,076,398	11,351,245	10,608,542	**11,028,335**
Total liabilities	(3,507,508)	(3,369,850)	(3,063,202)	(2,985,483)	**(3,040,663)**
Total equity	5,531,283	5,706,548	8,288,043	7,623,059	**7,987,672**
Non-controlling interests	11,062	4,599	–	–	**–**
Equity attributable to equity holders of the Company	5,520,221	5,701,949	8,288,043	7,623,059	**7,987,672**

Environmental, Social and Governance Report

ABOUT THE REPORT

This report is aimed at disclosing the performance and results in respect of environmental, social and governance ("ESG") of the company to all the stakeholders in 2021. It is prepared in accordance with the Appendix 27 Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") of the Listing Rules of the Stock Exchange of Hong Kong Limited and in compliance with the requirements of priciples of "materiality", "quantitative" and "consistency" set out in the Guide.

(1) Materiality: Internal and external stakeholders were invited to participate in the identification and assessment of ESG-related materiality issues of the Company, and the Board reviewed the results of the assessment and disclosed the results of the latest stakeholder communication and materiality assessment in this report;

(2) Quantitative: This report disclosed relevant quantitative environmental and social data, as well as the standards and methods used for their statistics and calculations;

(3) Consistency: The data disclosed in this report adopted the same statistical methodology as previous years to ensure the comparability of its contents.

This report covers the period from January 1, 2021 to December 31, 2021, with some data being retrospect to previous years.The information contained in this Report is mainly derived from the statistical data and related documents of the Company. We confirm that this Report does not contain any false records and misleading statements, and we shall be responsible for the authenticity, accuracy and completeness of its content.

Unless otherwise stated, based on materiality considerations,the scope of disclosure in this report includes the Company and its subsidiaries in China, and covers the same scope as 2020.

This report is issued together with the annual report. For the content of corporate governance, readers are reminded to read this report in conjunction with the section headed "Corporate Governance Report" in the annual report.

Environmental, Social and Governance Report

BOARD STATEMENT

In order to effectively implement the Company's ESG management philosophy and strategy and perform ESG work in a better way, we have established a cross-departmental ESG management structure consisting of the board of directors, ESG taskforce and various business departments. The board of directors, as the highest decision-making body of ESG, is fully responsible for the Company's ESG governance strategy, reviewing and approving ESG policies, performance and information disclosure, as well as directing the management and supervision of ESG-related issues. The ESG taskforce (the "Taskforce"), which is composed of the ESG related departments of the Company, is responsible for evaluating ESG-related risks, establishing ESG risk management procedures and internal control system, as well as promoting the undertaking and implementation of various tasks. The ESG taskforce makes regular reports to the board of directors on the latest progress and completion of ESG-related work. Each related department is responsible for daily ESG management and reports to the ESG taskforce on a regular basis to ensure the implementation of various tasks. The board of directors reviews the completion of the Company's ESG key performance indicators, adjusts and formulates ESG-related strategies and policies,to ensure that the Company's ESG work can be implemented and executed by the Taskforce and each business department.

ESG MANAGEMENT PHILOSOPHY

As an innovative internet-empowered entertainment service provider, we seek to build up a vibrant ecosystem around the Maoyan comprehensive platform, which will connect our consumers with the entertainment industry and empower them. In that spirit, our service will enable consumers to easily uncover and enjoy the high-quality entertainment contents. The Company deeply understands the importance of effective ESG management for its ongoing sound operation and strives to integrate the ESG management philosophy into its overall strategy, policy and business plan.

With reference to our corporate culture, social responsibility philosophy, ESG management status and previous work, we have formulated the following ESG management strategies: fulfilling corporate social responsibilities; actively promoting the green office concept to reduce the negative impact of business operations on the environment; establishing a sound talent management system to achieve a harmonious and win-win employment relationship; creating high-quality and responsible products and services to establish a good brand image; focusing on business development while continuing to make efforts to contribute to the communities and strive to cultivate a sustained relationship to benefit both the Company and communities, so as to make more contributions to society and help the Company achieve sustainable development.

ACTIVELY SUPPORT THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals ("SDGs") of the United Nations aim to guide countries around the world to resolve the key issues in economy, society and environment, and encourage the public, including enterprises, to actively make their own efforts to achieve sustainable development. We have identified SDGs priorities based on the Company's business characteristics and integrated them into our ESG management philosophy to guide the ESG work.

We actively support SDGs and China's National Plan on Implementation of the 2030 Agenda for Sustainable Development, and have taken the following actions in the identified key areas of SDGs.

SDGs	China's National Plan of SDGs[1]	Our Sustainable Development Actions
3 GOOD HEALTH AND WELL-BEING	• Ensure equality and accessibility of basic health care services.	• Focus on the health and safety of employees, provide them with health and safety protection such as medical care insurance and create a healthy and safe working environment. • Actively respond to the call of the state and local governments to fight against the pandemic.
5 GENDER EQUALITY	• Raise public awareness of gender equality and eradicate all forms of discrimination and prejudice against women and girls.	• Create a fair and just working environment. • Resolutely oppose gender discrimination, and provide equal opportunities for female employees.

[1]The contents are abstracted from China's National Plan on Implementation of the 2030 Agenda for Sustainable Develop of the 2030 Agenda for Sustainable Development.

Environmental, Social and Governance Report

SDGs	China's National Plan of SDGs[1]	Our Sustainable Development Actions
8 DECENT WORK AND ECONOMIC GROWTH	• Ensure moderate-and high-speed economic growth and moderate-and high-level of production. • Crack down on illegal and criminal activities such as child labor and forced labor in accordance with law and provide special protection for underage workers aged between 16 and 18. • Protect workers' legitimate rights and interests such as remuneration, vacation, social security, and etc. • Improve employment and entrepreneurship services and launch a lifelong vocational training initiative.	• Continue to devote ourselves to the pan-entertainment industry, practice based on core development strategy "Technology+Pan-Entertainment", continuously improve competitiveness and innovation capacity, grow together with industry partners and provide communities with more high-quality jobs to help economic recovery. • Prohibit child labor. • Protect the legitimate rights and interests of employees, establish and improve recruitment, remuneration, vacation systems, and provide a competitive remuneration system and reasonable benefits and welfare. • Encourage employees to pursue a work-life balanced lifestyle • Understand the needs of employees and communicate with them through multiple channels. • Establish an employee training system to support their development and growth.

SDGs	China's National Plan of SDGs[1]	Our Sustainable Development Actions
13 CLIMATE ACTION	• Improve education and publicity on climate change mitigation and environmental protection, spread knowledge about climate change and low-carbon development, and encourage public participation in climate actions.	• Encourage green office, and actively promote the concept of resource conservation and environmental protection to raise employees' awareness of environmental protection. • Identify and actively address climate change risks.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Resolutely correct improper conduct that harms the interests of the general public, and punish corruption. Maintain the pressure and strengthening accountability and enforcement.	• Create a corporate culture of honesty, integrity and fairness. • Operate in compliance and conduct business with integrity.

STAKEHOLDERS RESEARCH AND COMMUNICATION

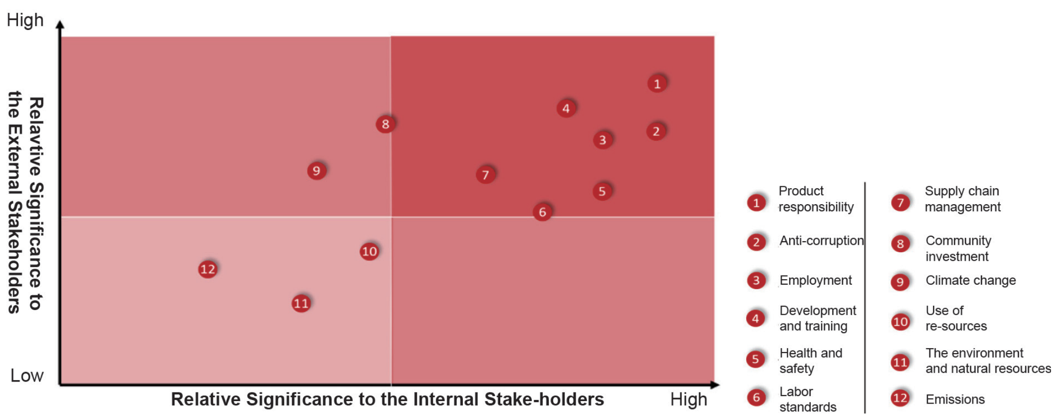
The Company attaches great importance to the demands of its stakeholders and is actively engaged in communications with them to heed their demands. We have established communication channels with the government and regulatory authorities, shareholders and investors, customers, employees, suppliers, communities, media and non-governmental organizations. The following table shows the major ESG topics of the stakeholders' concerns and corresponding communications channels.

Stakeholders	Major ESG topics of concern	Major communications channels
Government and regulatory authorities	• Employment • Supply chain management • Product responsibility • Anti-corruption	• Implementation of policies, laws and regulations • Written documents or reports • Official website of the Company • Regular or irregular face-to-face communications
Shareholders and investors	• Employment • Product responsibility • Anti-corruption • Climate change	• General Meeting of Shareholders • Periodic Reports • Results announcements • Official website of the Company • Investor Relations Mailbox
Customers	• Product responsibility	• Periodic Reports • Customer hotline and email • Routine operation and communication

Stakeholders	Major ESG topics of concern	Major communications channels
Employees	• Employment • Health and safety • Development and training • Labor standards	• Staff handbook • Internal announcement/email • Internal meetings with employees • Staff training • Team building activities • Performance assessment and feedback • Employees' feedback mechanism • Daily communication
Suppliers	• Supply chain management • Anti-corruption	• Supplier management system • Supplier evaluation and examination • Daily meetings and discussions
Communities	• Use of resources • Community investment	• Participation in charity activities • Volunteer work • Social media
Media and non-governmental organizations	• Employment • Product responsibility • Community investment • Supply chain management • Emissions • Use of resources • Climate change	• Social media • Company official websites • Press conferences • Formal or informal communication meetings

MATERIALITY ASSESSMENT

In order to improve the materiality of the report, the Company identified a total of 12 material issues, including product responsibility, anti-corruption, employment, development and training, health and safety, labor standards, supply chain management, community investment, climate change, use of resources, the environment and natural resources and emissions during the Year based on the ESG material issues in previous years according to the latest requirements of the ESG Reporting Guide of SEHK and with reference to the actual situation of the Company's business by inviting internal and external stakeholders to participate in the survey. After conducting a questionnaire with internal and external stakeholders and analyzing the results of feedback from the stakeholders, we ranked 12 material issues and prepared a matrix of ESG material issues, the results of which were considered and approved by the board of directors of the Company.



ENVIRONMENT

Despite the insignificant impact of the Company on the environment and natural resources as an office operation enterprise, the Compnay has been committed to promoting sustainable development, actively assuming responsibility for environmental protection, and making efforts to reduce GHG emissions generated by its own business activities, to make contribution to energy conservation and emission reduction.

The Company implements various measures for resource saving in daily operations to reduce the impacts on the environment and actively respond to climate change in accordance with the requirements of relevant laws and regulations, such as the Environmental Protection Law of the PRC, the Energy Conservation Law of the PRC, the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes, the Law on Prevention and Control of Water Pollution of the PRC, and the Law on Prevention and Control of Air Pollution of the PRC, etc..

1. Emissions

Since the Company's operations do not involve any production or manufacturing processes, there are limited environmental impacts related to emissions of exhaust gases and greenhouse gases, discharges to water and land, and generation of hazardous or non-hazardous wastes.

As an office enterprise, the Company generates a small amount of non-hazardous and hazardous wastes in its daily operation. Non-hazardous wastes primarily include domestic garbage and disposed electronic devices, disposed office equipment and other office wastes, while hazardous wastes primarily include lead-acid batteries, waste ink cartridges, waste toner cartridges and waste toners of printing devices.

The Company attaches great importance to improving the environmental awareness of its employees, as evidenced by the promotion of green office, the implementation of waste management from generation to recycling, to minimize the impact on the environment. The Company encourages its employees to use office equipment with care, with a view to reducing losses, and also sets limits on the frequency and quantity of office supplies that employees can apply for, which to avoid unnecessary waste and reduce waste generation at the source.

We actively respond to the waste classification policy implemented by the country, set up classified dustbins in the office, while making full use of the Company's internal online platform to propagate garbage sorting knowledge to employees and drive them to devote themselves to the action of garbage classification. For non-hazardous wastes generated during operations, the Company conducts the first sorting internally in accordance with the national waste sorting requirements, and then delivers them to the property management office for review and centralized transportation to designated waste collection agencies.

In order to improve the quality of our hazardous waste management, we have set corresponding waste reduction targets based on our established waste recycling and treatment mechanism: we insist on cooperating with third-party suppliers with professional and environmental protection qualifications to recycle hazardous wastes such as toner, toner cartridges, ink cartridges and batteries, so as to ensure the recycling and reuse of materials. As of the end of the Reporting Period, hazardous wastes such as toner, toner cartridges, ink cartridges and batteries generated by the Company were recycled and disposed of by third-party suppliers with professional and environmental qualifications.

2. Use of Resources

The Company actively promotes the concept of green office and makes every effort to create a low-carbon and environmental-friendly office environment. Major resources used in our daily operations include electricity, water and office paper.

We have developed the following measures to improve energy use efficiency, reduce greenhouse gas emissions, and practice environmental protection concepts:

- Outsourcing electricity is the main energy consumed in the Company's daily operations. Implemented a number of measures to reduce electricity consumption and lower carbon emissions, including: encouraging the use of natural lighting; replacing high-energy-consuming lamps with LED ones; setting office air-conditioning at a reasonable temperature; and arranging the security officers to carry out regular patrols during non-office hours and turn off unused lighting in office areas.

- In order to reduce the waste of water resources, we have installed water-saving faucets in lavatories with water-saving notices attached, which is aimed at raising our employees' water-saving awareness.Any leakage of water pipes and faucets will be promptly reported to the property management office for repair to avoid unnecessary waste.

- To save paper and increase paper utilization, our printers are pre-set as double-sided printing function to reduce paper use.The Compnay promotes paperless office and encourages employees to adopt online office mode to reduce paper consumption; sets up a paper recycling area close to the printer for reuse of paper; encourages employees to bring their own cups to reduce the daily supply of one-off paper cups.

- The Company is not involved in the manufacture or sale of products and therefore no packaging materials are generated.

In order to further practice green office concept and promote the sustainable development of our Company in the field of environmental protection, during the reporting year, we have set the following environmental objectives, taking into account our ESG management philosophy and business development:

- Energy conservation: Electricity consumption per capita of the Company shall be no more than 1.2 MWh per year in the next three to five years based on past consumption per capita.

- Water conservation: Water consumption per capital of the Company shall be no more than 10 tonnes per year in the next three to five years based on past consumption per capita.

- Paper saving goals: We shall gradually realize the systematic paperless management and online function development, such as online approval of qualifications and licenses, electronic customer invoices, etc. on top of existing electronic signature for employee labor contracts and merchant studio contracts.

3. Environment and Natural Resources

Since its business operation does not involve large-scale production activities, it is unlikely that the Company will have a substantial impact on the environment and natural resources in the course of its daily operations.The Company has few impacts on resources and environment as it is not involved in large-scale industrial production activities. In the process of our expanding business and operations, we will always pay close attention to and conscientiously consider environmental and resource issues, so as to avoid any substantial impact on them.

4. Climate Change

Overall, there will be less impact of climate change on the Company's core business such as ticketing, publicity and distribution. However, for projects in which the Company is involved in investment and production, sudden extreme weather may damage valuable assets such as photography and video equipment, and affect the health and safety of project staff. In order to cope with the physical risks arising from such climate change, the Company will stipulate relevant terms in the project contract for force majeure factors,maintain insurance policies for the safety of equipment and personnel, and formulate contingency plans to require the staff to adjust the filming plan in a timely and flexible manner to minimize the impact of extreme weather on the safety of property and personnel. In case of extreme weather such as heavy rain, snowstorm or local epidemic, the regional director will immediately inform the emergency team, which will formulate an emergency plan within one hour according to the urgency of the situation.

5. Environmental Key Performance Indicators

Despite the insignificant impact of the Company on the environment and natural resources as an office operation enterprise, we continue to compile and review our environmental key performance data on an annual basis to ensure that our ESG management objectives are met.

Unless otherwise stated, these data only cover the Company's head office in Beijing and regional office in Shanghai. Given our business nature, packaging material data is not applicable to the Company.

Emissions

Indicators	2020 Figures	**2021 Figures**
Total Greenhouse Gas ("GHG") emissions (scopes 1 and 2) (tonnes CO_2e)[1]	488.68	**468.96**
Total Greenhouse Gas ("GHG") emissions (scope 2) (tonnes CO_2e)	488.68	**468.96**
Including: purchased electricity	488.68	**468.96**
Total GHG emissions per capita (tonnes CO_2e per capita)	0.67	**0.64**
Total GHG emissions per floor area (tonnes CO_2e per square metre)	0.07	**0.06**
Total hazardous waste production (tonnes)[2]	0.07	**0.03**
Hazardous waste production per capita (kg per capita)	0.09	**0.05**
Total non-hazardous waste production (tonnes)[3]	26.08	**43.14**
Non-hazardous waste production per capita (kg per capita)	0.04	**0.06**

Notes:

1. GHG emissions include carbon dioxide, methane and nitrous oxide, mainly originating from the purchased electricity, which falls into Scope 2 GHG emissions.The Company did not generate Scope 1 GHG emissions during the reporting year. GHG emissions are presented in carbon dioxide equivalents and calculated based on the 2019 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the PRC and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change (IPCC) (2019 revision).

2. Hazardous wastes involved in the operation of the Company primarily include lead-acid batteries, and waste ink cartridges, waste toner cartridges and waste toners of printing devices.

3. Non-hazardous wastes involved in the operation of the Company primarily include domestic garbage and disposed electronic devices, disposed office equipment and other office wastes.

Resource consumption

Indicators	2020 Figures	2021 Figures
Total energy consumption (MWh)[1]	722.74	**699.34**
Indirect energy consumption (MWh)	722.74	**699.34**
Total energy consumption per capita (MWh per capita)	0.98	**0.96**
Total energy consumption per floor area (MWh per square metre)	0.10	**0.10**
Water consumption (tonnes)[2]	5,545.38	**5,003.25**
Water consumption per capital (tonnes per capital)	7.56	**6.87**
Water consumption per floor area (tonnes per square metre)	0.76	**0.69**
Total consumption of A4 paper (tonnes)	1.38	**1.63**

Notes:

1. Total energy consumption is calculated based on the consumption of electricity, and the conversion factors provided in the national standard of the PRC, i.e. the General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2020).

2. The water consumption includes tap water and reclaimed water. Of which, water consumption of the regional office in Shanghai is controlled by the property management office where it is located, and the water charges are included in property charges. As water consumption cannot be measured separately, we have estimated the water consumption with reference to the national standard, i.e. the Standard for Design of Building Water Supply and Drainage (GB50015-2019) issued by the Ministry of Housing and Urban-Rural Development of the PRC.

RECRUITMENT AND LABOR STANDARDS

Talent has always been regarded as the most important asset and resource by the Company. We have complied with various laws and regulations, including the Labor Law of the PRC, the Labor Contract Law of the PRC, Social Insurance Law of the PRC and Law of the PRC on the Protection of Women's Rights and Interests. On this basis, we have formulated a complete talent management system to fully to safeguard the legitimate rights and interests of employees, promote their personal development, create good working environment for them and attract and retain the outstanding employees. By implementing fair and equitable recruitment to reserve diversified talents, we have provided employees with sound benefits as well as care and kindness to their physical and mental health, and established the transparent and efficient employee performance assessment and communication mechanisms to realize a harmonious and win-win employment relationship.

1. Recruitment, Dismissal and Labor Standards

The Company has expressly stipulated the recruitment, dismissal and employment policies in the "Policy on Human Resources Management" in the Staff Manual. Opposed any discrimination, we follow the principles of fairness, transparency and integrity to select suitable talents through channels such as campus recruitment and social recruitment to ensure equal opportunities for talents of all ages, genders, races or religions. We sign labor contracts with our employees in accordance with law, and the employment of child labour and forced labour are prohibited. During the recruitment process, we strictly check the age and identity information of the job candidates based on the formal procedures, and the case of child labour and forced labour (if any) will be addressed in accordance with the relevant laws and regulations by the Company. During the period of this report, there was no child labor or forced labor during the Year in the Company.

During the Year, the total number of employees of the Company was 876. Set out below is the breakdown of employees by gender, employment type, age groups and regions.

	Data for 2021 (employee(s))
By gender	
Male	**427**
Female	**449**
By employment type	
Full-time	**876**
Part-time	**0**
By age groups	
Total number of employees at 30 or below	**415**
Total number of employees at 30 to 50	**457**
Total number of employees at over 50	**4**
By regions	
Beijing	**581**
Shanghai	**146**
Other regions	**149**

The turnover rate of employees by age groups, gender and regions are shown as below.

	Data for 2021(%)
By gender	
Male	**27.25**
Female	**30.94**
By age groups	
Total number of employees at 30 or below	**35.93**
Total number of employees at 30 to 50	**20.05**
Total number of employees at over 50	**22.22**
By regions	
Beijing	**30.78**
Shanghai	**30.48**
Other regions	**21.31**

2. Remuneration, Development and Staff Welfare

In order to attract talents and retain employees, the Company, by adopting the "position-based remuneration" principle, takes into full consideration of internal fairness and external competitiveness and provides employees with competitive remunerations by reference to various factors such as title and rank, experience, capability and performance.

The Compnay has developed complete remuneration incentive policies and gives evaluation and feedback on employee performance through the performance assessment. Specifically, the performance bonus is based on the employee's performance assessment result for a specific period. We have set up awards for outstanding individuals and projects to motivate individuals and team who perform well in their work. The Company makes full contribution to the social insurance and housing provident fund for our employees strictly according to the laws. Our employees are also supplemented with commercial insurance and annual medical check-ups as additional benefits.

The Company has established a fair and transparent promotion mechanism, adhering to the selection principle of objectivity and justice, and established an independent promotion assessment team. We also provide more free space in promotion channels for our employees to ensure that employees make better use of their expertise and talents based on their own advantages and achieve effective matching of positions and talents, to lay a solid talent foundation for our development.

In order to enrich the spiritual life of employees and enhance team cohesion, we continue to carry out various activities, including team building, cultural and sports activities, festival activities, etc. During the Year, we organized various themed activities for employees on the Company's anniversarydate, Programmer's Day, Thanksgiving Day, Halloween and Christmas etc. By organizing team building activities, we have enhanced the employees' sense of identity, belonging and happiness.

3. Work-life Balance

The Company encourages employees to pursue a work-life balance lifestyle. Our employees are encouraged to work efficiently during normal working hours without overtime, and any overtime due to special reasons need to be applied and approved in advance. At the same time, we guarantee our employees to enjoy the holidays for rest, entertainment and family life to the maximum extent. We adopt the standard working hours, but irregular working hours for special positions to support flexible office. Furthermore, in addition to national statutory holidays, we also provide annual leave and paid sick leave calculated based on working years and seniority. Female employees also enjoy paid maternity leave, parental leave and other relevant leaves, while male employees enjoy paternity leave.

4. Anti-discrimination, Diversity and Equal Opportunities

The Company is always committed to providing an inclusive and diverse working environment for all employees so that everyone has equal development opportunities in the Company. The Company strongly prohibit any discrimination or differential treatment during recruitment and work due to personal characteristics such as gender, ethnicity, race, physical disability, age, religion, nationality, sexual orientation and family background, and eradicates all forms of harassment.

5. Health and Safety

The Company always attaches high importance to the health and safety of its employees. We have formulated our policies and systems, such as the Employee Code of Conduct, Visitor Entrance Procedures, Fire Safety Management System, Fire Emergency Plan and No-Smoking Regulations in compliance with all relevant laws and regulations including the Labor Law of the PRC, the Production Safety Law of the PRC, the Fire Control Law of the PRC, and the Regulations of Beijing Municipality on Fire Control.

In order to create a safe and healthy working environment, the Company requires all employees to check the health code and temperature measurement before entering and leaving office premises. Employees are required to wear employee badges to enter office premises, while visitors are required to be registered, checked travel code and accompanied by employees throughout the visit. The Company provides employees with a spacious, clean and comfortable office environment, and smoking is strictly prohibited in all office areas, and a separate smoking area is designated outside the office area to protect the health and safety of employees in all aspects.

In addiction, we attach great importance to the physical and mental health of every employee and invite professional psychological counseling agencies to help them resolve their work-life issues and relieve mental stress.

In the face of ongoing outbreak of COVID-19 in 2021, the Company continues to implement regular pandemic prevention and control measures to protect the physical and mental health of all employees. We implemented the "Administrative Measures for Safety Protection of Employees in Special Period", to supervise and manage employees' access to the Company, meetings, dining, and sending and receiving express delivery based on various pandemic prevention standards and requirements. We also required employees to report their personal health status to the Company on a regular basis and to maintain continuous communication on pandemic prevention, personal safety protection and other related information, and provided them with psychological counseling. In addition, we regularly took strict disinfection and cleaning measures in the offices and offered free anti-pandemic materials for the office area to ensure the safety of our operating premises. The Company actively cooperates with the vaccination of COVID-19, and as of the end of the Reporting Period, the vaccination rate of employees for COVID-19 was over 80%.

During the Reporting Period, there was no work-related injury or death of employees, and no work-related death of employees in the past three years.

6. Staff Training

We believe that the sustainable development of our Company cannot be achieved without the personal growth and improvement of our employees. Therefore, in order to promote the personal development of our employees, we have formulated diversified employee training and development programs for different departments and positions, covering general ability training, business ability training, anti-corruption, etc.

To help new graduate employees to go through the transition period from campus to office smoothly, we offer a series of special programs on the first day, in the first month and first quarter of their employment, helping them to fit in with the Company and jobs faster. We offer leadership training programs for new managers to help them adapt to the change of identity and shape their management perception. In response to the improvement of employees' business capabilities, the technical committee provides technical sharing sessions and occasionally organizes industry technical salons to help employees improve their professional abilities. In addition, the Company delivers online training courses to all employees every week, to provide them with more abundant learning resources. We collect and analyze the opinions and suggestions on the lecturers and the content of the courses from the trainees via questionnaire survey after the trainings, to ensure the quality of the trainings and improve training effectiveness. The Company also encourages employees to obtain relevant qualification certificates by participating in various types of external trainings according to business needs.

During the Reporting Period, a total of 733 employees received trainings, and the percentage of employees trained by gender and employment types is as follows.

	2021 Figures (%)
By gender	
Percentage of male employees trained	**82.86**
Percentage of female employees trained	**84.63**
By employment types	
Percentage of management employees trained	**61.97**
Percentage of non-management employees trained	**85.59**

During the Reporting Period, the average training hours per employee was 5.89 hours, and the breakdown of the average training hours per employee by gender and employment types is as follows.

	2021 Figure (hour)
By gender	
Average training hours per male employee	**6.26**
Average training hours per female employee	**5.56**
By employment types	
Average training hours per management employee	**3.37**
Average training hours per non-management employee	**6.12**

7. Staff Communications

The Company believes that smooth communication channels are important for improving employee satisfaction and the cohesion of the Company. We not only listen carefully to employees' opinions and encourage employees to provide feedback and suggestions, raise up new ideas and questions, but also provide a variety of communication channels to our employees, including online work communication groups, offline exchange and sharing session, to eliminate communication barriers, improve work efficiency and fully protect the rights and interests of employees.

During the Reporting Period, the Company implemented employee communication activities called "MY TALK" in which we invited the Company's management, core calibers and other guests to interact with employees on issues such as the Company and industry trends, and listen to their opinions and suggestions.

SUPPLIER MANAGEMENT

In order to promote suppliers to improve their environmental and social performance and provide the best products and services to customers, the Company has formulated the Supplier Information Form, Business Ethics Commitment Letter, Supplier Management System and Supplier Procurement Practices in compliance with Tender Law of the PRC and Regulation of the PRC on the Implementation of Tendering and Bidding, for the purpose of strictly managing supplier development and admission as well as evaluation and grading, and other supplier management tasks.

1. Supplier Development and Admission

We develop and admit suppliers in accordance with the Supplier Management Rules. By information retrieval and business negotiation in the supplier's preliminary development, we understand the supplier's public information and commercial legality. On this basis, all suppliers must pass relevant qualification audits before being selected or admitted. In addition to focusing on the quality, price and reliability of products and services provided by the suppliers, environmental and social responsibility are also one of the most important factors we consider when selecting suppliers, including health and safety, environmental management and other factors.

2. Evaluation and Grading of Suppliers

Collaborating with business departments, we evaluate suppliers' products and services, as well as their environmental and social performance by written or face-to-face negotiations, and the evaluation results will serve as an important reference factor for future cooperation. In addition, we also grade long-term suppliers based on the evaluation results, and promptly eliminate and screen out the unqualified ones.

3. Maintenance and Management of Supplier Database

A supplier database has been established. If a current supplier ceases its business, resulting in supply chain interrupted, or is blacklisted by the relevant authorities due to environmental or social risks, we will cooperate with stand-by suppliers or newly developed suppliers to ensure that the Company can obtain the required products or services in a timely manner.

During the Reporting Period, the Company maintained long-term good relationships with 185 suppliers, with specific geographical region as follows:

	2021 Figure
Number of suppliers by geographical region	
Number of suppliers in China	**185**
Number of suppliers in other regions	**0**

4. Supplier Integrity Management

In the procurement process, we always adhere to the principles of fairness, transparency, justice, honesty and integrity to create a sunshine procurement environment. Suppliers are required to sign the Declaration on Anti-Bribery and Anti-Corruption, make commitment to complying with the principles of honesty, integrity and self-discipline, including anti-fraud and anti-bribery agreements. In the performance process, we monitor the integrity performance of our suppliers and will take measures to stop or immediately terminate cooperation, as appropriate, if fraud, bribery or other related misconduct is found.

PRODUCT RESPONSIBILITY

We are committed to providing customers with high-quality products and services. We strictly protect user information and data, resolutely safeguard the Company's intellectual property rights and regulate and review advertisements according to and in compliance with national laws and regulations and industry standards and norms in our operations. We firmly believe that only by creating high-quality and responsible products and services can we meet the expectations and requirements of our users and increase users' satisfaction and loyalty.

1. Intellectual Property Rights Protection

Our Company attaches great importance to the protection of our own intellectual property rights and respects the intellectual property rights of others. We manage our intellectual property rights in compliance with the relevant laws such as the Copyright Law of the PRC, the Trademark Law of the PRC, the Patent Law of the PRC and the Implementing Regulations of the Trademark Law of the PRC, the Implementing Regulations of the Copyright Law of the PRC, and the Implementing Regulations of the Patent Law of the PRC. We incorporate the application and approval process of the intellectual property rights and materials list into written materials to facilitate employees to apply for intellectual property rights in a timely manner and protect the legitimate rights and interests of the Company.

We strengthen the accumulation and protection of internal intellectual property rights to deal with external challenges. We respect and encourage originality, and timely safeguard our legitimate rights and interests through protective measures such as trademark registration, technical patent application, and domain name registration. For example, a technology patent application of the online ticket purchase and seat area selection and box office forecast functions for our APP has been initiated, the text and graphics and other business-related trademarks of Maoyan have been registered, and the domain names of maoyan.com and other business segments have been registered. The Company continuously monitors all trademarks, domain names and other types of intellectual property rights during their legal use period, and renews them in a timely manner after their expiration.

2. Advertising Compliance

We strictly review the material and slogan for external promotion to ensure legitimate advertisements and to protect the rights and interests of users. In compliance with all the related laws and regulations, like the Advertising Law of the PRC, Regulation on the Administration of Advertising and Interim Measures for Administration of Internet Advertising, the Company has formulated the Maoyan Advertisement Review Procedures and Maoyan Advertisement Resource Application Procedures as required by the laws and regulations. In accordance with the requirements of the State Administration for Market Regulation, the Company strictly audits all advertisements of high risk industries including finance, pharmaceuticals, healthcare, and real estate, etc., and fulfills the legal obligations of the advertising issuer, to avoid the publication of misleading content to the public to the maximum extent.

3. Information Security and User Privacy Protection

The Company attaches great importance to the protection of users' information security and privacy. In compliance with laws, regulations and normative documents such as Cyber Security Law of the PRC, Personal Information Protection Law of the PRC, Data Security Law of the PRC, the Measures for Determining the Illegal Collection and Use of Personal Information through Apps (《App違法違規收集使用個人信息行為認定方法》) andthe Regulation of Necessary Personal Information Scope by Common Mobile Internet Application (《常見類型移動互聯網應用程序必要個人信息範圍規定》), as well as special action requirements of industry regulators, we have formulated a series of management systems covering all product lines within the Compnay, and established mechanisms for information security and user privacy protection and special protection departments and positions to reduce the risk of information divulgence.

In managing internal information security, we have formulated the Maoyan Information Security and Confidentiality Regulations, which have details in information storage security, transmission security, release and destruction security, account security, office network security, and PC security. Meanwhile, we provide feedback channels as well as rewards and punishments to prevent the divulgence of internal information. During the Year, we also formulated Data Security Management Regulations, managing the Company's data at different levels according to the scope of data confidentiality and data importance, and developed security strategies for different levels to ensure the security, reliability, integrity and accuracy of data through the management of the whole life cycle of the Company's data.

For user-end information security management, we have formulated the sensitive information definition standards and sensitive information acquisition approval procedures, specifying that different sensitive levels of information require different access rights for access or acquisition. Regarding to the protection of sensitive user information, confidential and top-secret information is restricted to the scope permitted by laws and policies, and can be accessed by certified and authorized applicants. We clearly notify our users that the type, purpose, approach and scope of information to be collected and our privacy protection policies. The information is only collected with users' permission and users have the right to read, edit and delete their personal information. During the Year, in order to regulate the authority and content of personal information used in online products, we improved the product launch management process, conducted special testing and multiple rounds of review of user personal information involved in products and services, and launched our products upon written confirmation by the person in charge of the personal information protection, which effectively prevent the illegal and irregular use of user personal information.

In order to better react to information security emergencies such as unwanted programs and cyber attacks, we have formulated the Network and Information Security Emergency Plan, established the emergency leadership team, and clarified the responsibilities of each team to strengthen information security and improve the execution of various work. In addition, we have also established the Standards for Security Vulnerability Rating and Response Processing, which regulates the security vulnerability rating, response time and restoration time, as well as the procedures of system security emergencies, and improves system security thereafter. A number of our Company's systems have obtained national information system security level protection certification.

4. Customer Services

User feedback acts as an important motivation and reference for us to improve our products and services, and we have always been committed to providing high-quality customer services, responding to customer demands in a timely manner, so as to improve user satisfaction. Our Company has established a perfect handling mechanism, and has set up multiple communication channels for the users, e.g. online portals, WeChat mini programs, hotlines and user questionnaire survey to actively and efficiently receive, evaluate and response to customers' feedback and meet user needs.

In order to improve communication efficiency and enhance the communication level of the customer service team, we have established customer service quality KPIs as an assessment standard for customer service team, to provide targeted training and guidance to customer service personnel by conducting statistical analysis of KPIs such as the response speed of calls received, the number of calls received, user satisfaction rate, and follow-ups.

The Company reviews statistics data of customer complaints, customer complaint rates, resolution rates, satisfaction rates, and TOP scenarios and issues every week, which is used to prepare weekly reports for continuing improvement. The customer service team regularly communicate with relevant business departments about the key issues of concern to the customers, of which will be subject to analysis and solutions to be implemented, in order to resolve customer requests with satisfaction.

During the Reporting Period, we received a total of 1,148 customer complaints about our products or feedback[2], with a 99.90% customer complaint resolution rate and an overall user satisfaction rate of 70.56%.

As a company primarily providing "Technology+Pan-Entertainment" service, the Company is not involved in the recall of sold or shipped products for safety and health reasons, nor is it involved in the quality verification of products or the recall process of products.

ANTI-CORRUPTION

The Company recognizes the importance of business ethics and is intolerant of the occurrence of misconduct such as corruption, bribery, fraud extortion, deception and money laundering. In compliance with the Anti-unfair Competition Law of the PRC and the Interim Provisions on Prohibition of Commercial Bribery, we have established internal rules and regulations, and promoted them within the Company, with a view to creating a fair, open, honest and upright environment, as well as maintaining our good reputation.

2 The statistical scope of the number of customer complaints is the data of complaints received by the Company from the Administration for Industry and Commerce, 12315 and 12345 hotline in 2021.

In the Employee Handbook, we have expressly stipulated issues in respect to conflicts of interest, under-the-table agreements, embezzlement and misappropriation of corporate assets, gifting, etc., for the purposes of improving the employee integrity and preventing the corrupt practices. We have developed the Maoyan Whistleblowing System, which regulates whistleblowing procedures and monitoring measures. The whistleblowing system is maintained by the internal audit and supervision department of the Company and supervised by the Audit Committee of the Board. The Company provides an email address for reporting clues for fraud on the homepage of our website, and sets up a whistleblowing hotline, an official account and other channels for receiving whistleblowing of corruption, fraud and other misconducts, which is managed by a designated officer from internal audit and supervision department of the Company. All related information about acceptance, investigation and decision on the cases must be filed. Employees found guilty of fraud and other discipline violations will be punished based on the degree of discipline violations, and if their behavior has violated the relevant laws and regulations, we will report to the higher authorities and affix legal liabilities on them as appropriate. The Company strictly protects the privacy and legal rights of the whistleblowers, and protect such whistleblowers against unfair treatment or any forms of retaliation by providing real-name whistleblowing and anonymous whistleblowing and posing strict punishment on any retaliation against whistleblowers.

In order to strengthen employees' awareness of integrity and help them establish a professional ethic of integrity and honesty, the Company conducts integrity training for directors and employees on a regular basis. During the Reporting Period, a total of 12 directors and 195 employees participated in integrity training, with an average training hours of 0.3 hours and 0.5 hours, respectively. The integrity training included codes of conduct for employee integrity, anti-unfair competition, protection of the Company's assets and gift declaration, and a clear system of penalties for violations of integrity principles. During the Year, we also held a "About High Voltage Lines in the Workplace(職場高壓線知多少)" event to deepen employees' understanding of integrity in the form of prize quizzes.

The Company has joined the Trust and Integrity Enterprise Alliance, an industry autonomous organization of Internet enterprises for anti-corruption, and the Tencent Sunshine Cloud Platform (騰訊陽光雲平台), an anti-fraud information sharing platform initiated by Tencent, and is committed to jointly improving the performance capability of internal audit and supervision departments and the ethical construction of all employees through Internet means, so as to create a fair and transparent business environment.

During the Reporting Period, there was no corruption-specific lawsuit filed and completed against the Company or employees and the Company did not have any lawsuits related to commercial bribery, extortion, fraud or money laundering and other violations of anti-corruption related laws and regulations.

COMMUNITY INVESTMENTS

As a responsible enterprise, while focusing on the development of culture and entertainment business, we continue to make efforts to contribute to the communities and actively cultivate a sustained relationship to benefit both the Company and communities.

In 2021, the Company continued to actively cooperation with local governments in the pandemic prevention and control, to fulfill its social responsibilities and safeguard the interests of users, working hand in hand with industry partners to help each other and overcome the difficulties together. In the face of the impact of recurrent outbreak of COVID-19 on the release of movies and events, we responded instantly to the users' requests for ticket refunds and changes for movies and events due to the sudden outbreak of COVID-19 and promptly carried out ticket refunds and changes for movies and events in a timely manner. In addition, we did our best to support the resumption of work and business of theaters in various regions, by cooperating with government agencies and film industry associations in many places to launch movie-benefiting activities, to encourage the audience to return to the cinemas and support the industry to recover soon.

Our employees are encouraged to take active part in social welfare activities. During the Year, the Company organized a "Thanksgiving Charity Donation" activity to raise funds for disabled children and stray animals. Every year, the Party Branch of the Company organises the "Meow with Love" donation campaign, in which all staff members enthusiastically participate and give their love. The money raised is donated to the Beijing Charity Fund Committee for charitable relief projects in Beijing, including charitable medical aid, charitable schooling, charitable assistance for the elderly and helping party members in need.

Environmental, Social and Governance Report

EXPLANATIONS FOR PREPARATION

Reporting Scope

Unless otherwise stated, the scope of disclosure contained in this Report is consistent with the scope of this Annual Report.

Reporting Period

This Report covers the period from January 1 to December 31, 2021.

Basis of Preparation

This Report has been prepared in accordance with the Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Main Board Listing Rules of SEHK.

Source of Information

The information contained in this Report is mainly derived from the statistical data and related documents of the Company. We confirm that this Report does not contain any false records and misleading statements, and we shall be responsible for the authenticity, accuracy and completeness of its content.

Definitions and Glossary

"AGM"	the Annual General Meeting of the Company to be held on June 28, 2022
"Articles of Association"	the articles of association of our Company, conditionally adopted on January 11, 2019 with effect from the Listing Date, and as amended from time to time
"Audit Committee"	the audit committee of the Company
"Beijing Maoyan"	Beijing Maoyan Cultural Media Co., Ltd. (北京貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on November 12, 2015 with limited liability and a Consolidated Affiliated Entity
"Beijing Shiji Weying"	Beijing Shiji Weying Culture Development Co., Ltd. (北京世紀微影文化發展有限公司), a company incorporated under the laws of the PRC on July 22, 2016, with the limited liability and one of our Registered Shareholders
"Beijing Weige Shidai"	Beijing Weige Shidai Entertainment Technology Co., Ltd. (北京微格時代娛樂科技有限公司), a company incorporated under the laws of the PRC on March 9, 2016 with limited liability and a Consolidated Affiliated Entity
"Beijing Weying Shidai" or Weying"	Beijing Weying Shidai Technology Co., Ltd. (北京微影時代科技有限公司), a company established under the laws of the PRC with limited liability, and/or its subsidiaries, as the case may be
"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"Cayman Companies Act" or "Companies Act"	the Companies Act of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	MaoyanEntertainment, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1896)
"Consolidated Affiliated Entities"	entities whose financial have been consolidated and accounted for as subsidiaries of the Company by virtue of the Contractual Arrangements
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the WFOE, Tianjin Maoyan Weying and the Registered Shareholders

Definitions and Glossary

"Corporate Governance Code" or "CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlight"	for illustration purpose, means Mr. Wang Changtian, himself and his controlled entities, including Enlight Holdings and Enlight Media, for the purpose of investment in our Company
"Enlight Holdings"	Enlight Holdings Limited
"Enlight Media"	Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (SSE Stock Code: 300251), our substantial shareholder
"Equity Pledge Agreement"	the amended and restated equity pledge agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and each of the Registered Shareholders
"Exclusive Consultation and Service Agreement"	the amended and restated exclusive consultation and service agreement dated August 9, 2018 between Tianjin Maoyan Weying and the WFOE
"Exclusive Option Agreement"	the amended and restated exclusive equity transfer option agreement dated August 9, 2018 among Tianjin Maoyan Weying, the WFOE and the Registered Shareholders
"Global Offering" or "Initial Public Offering"	the offering by the Company of its Shares for subscription by the public in Hong Kong and the offering of Shares by the international underwriters outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs only in accordance with Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act in January to February 2019
"gross box office"	box office and the service fees paid for online movie ticketing services
"Group", "our Group", "we" or "us"	the Company, its subsidiaries and the Consolidated Affiliated Entities
"Historical ESOP Platforms"	Tianjin Caiyi, Tianjin Caixuan, Tianjin Caiying, Tianjin Caichuang and Tianjin Guanghong

Definitions and Glossary

"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Linzhi Lixin"	Linzhi Lixin Information Technology Co., Ltd. (林芝利新信息技術有限公司), a company incorporated under the laws of the PRC on October 26, 2015 with limited liability and a company designated by Tencent to hold interests in Tianjin Maoyan Weying
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	February 4, 2019, the date on which the Shares became listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maoyan Enterprise"	Tianjin Maoyan Enterprise Management and Consulting Co., Ltd. (天津貓眼企業管理諮詢有限公司), a company incorporated under the laws of the PRC on March 1, 2017 with limited liability and a Consolidated Affiliated Entity
"Maoyan Live JV"	Tianjin Maoyan Live Technology Co., Ltd. (天津貓眼現場科技有限公司), a company incorporated under the laws of the PRC on June 19, 2018 with limited liability and a joint venture held by the WFOE and Tianjin Maoyan Weying as to 49% and 51% of its equity interests, respectively, and a Consolidated Affiliated Entity
"Maoyan Pictures"	Tianjin Maoyan Pictures Co., Ltd. (天津貓眼影業有限公司), a company incorporated under the laws of the PRC on June 8, 2015 with limited liability and a Consolidated Affiliated Entity
"Maoyan Technology/WFOE"	Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司), a company incorporated under the laws of the PRC on February 5, 2018 with limited liability and a wholly owned subsidiary of our Company

Definitions and Glossary

"Meituan"	Meituan (美團) (SEHK Stock Code: 3690), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 15, 2015, or Meituan and its subsidiaries and consolidated affiliated entities, as the case may be
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Company
"Post-IPO Share Options"	options granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	the post-IPO share option scheme of our Company as approved on July 23, 2018, which was adopted by the Company to provide incentives and rewards to individuals and/or entities for their contribution
"PRC" or "China"	the People's Republic of China, which, for the purpose of this Annual Report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Pre-IPO Share Options"	options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme of our Company as approved on July 23, 2018, which was adopted by the Company as a continuation and restructuring of the employee share incentive scheme originally adopted by Tianjin Maoyan Weying on November 8, 2016
"Prospectus"	the prospectus of the Company dated January 23, 2019
"Proxy Agreement"	the amended and restated proxy agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and the Registered Shareholders

Definitions and Glossary

"Registered Shareholders"	Enlight Holdings, Enlight Media, Shanghai Sankuai Technology, Beijing Shiji Weying (or its affiliates, as the case may be), Linzhi Lixin and the Historical ESOP Platforms
"Relevant Businesses"	the businesses of value-added telecommunication services business, movie distribution and radio and television program production, etc.
"Remuneration Committee"	the remuneration committee of the Company
"Reorganization"	the offshore and onshore reorganization as set out in section headed "History and Reorganization – Reorganization" of the Prospectus
"Reporting Period"	period from January 1, 2021 to December 31, 2021
"Restricted Share Agreement"	the restricted share agreement entered into among the Company, Mr. Zheng Zhihao and Rhythm Brilliant Limited on July 23, 2018 to recognize and reward the contribution of Mr. Zheng Zhihao to the Group
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	The RSU Scheme of our Company as approved on July 23, 2018, which was adopted by the Company to reward participants for their contribution to the Group and attract best available personnel
"Ruihai Fangyuan"	Shenzhen Ruihai Fangyuan Technology Co., Ltd (深圳市瑞海方圓科技有限公司), a company incorporated under the laws of the PRC on July 13, 2017 with limited liability and a Consolidated Affiliated Entity
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Maoyan Network"	Shanghai Maoyan Network Technology Co., Ltd. (上海貓演網絡科技有限公司), a company incorporated under the laws of the PRC on February 13, 2019 with limited liability, a wholly-owned subsidiary of Maoyan Live JV
"Shanghai Sankuai Technology"	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a company incorporated under the laws of the PRC on December 19, 2012 with limited liability, an operating entity of Meituan and one of our Registered Shareholders

Definitions and Glossary

"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.00002
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Stock Exchange" or "SSE"	Shenzhen Stock Exchange (深圳證券交易所)
"Stock Exchange" or "SEHK"	the Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Tencent"	Tencent Holdings Limited (SEHK Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
"Tencent Group"	Tencent and its subsidiaries from time to time
"Tencent Music Technology"	Tencent Music Entertainment Technology (Shenzhen) Co., Ltd. (騰訊音樂娛樂科技(深圳)有限公司), a company established under the laws of PRC on February 22, 2017 and an indirect wholly-owned subsidiary of TME
"TME"	Tencent Music Entertainment Group, a company incorporated under the laws of Cayman Islands on June 6, 2012 as an exempted company with limited liability, whose American depositary shares are listed on the New York Stock Exchange (symbol: TME)
"TME Group"	TME and its subsidiaries from time to time
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly-owned subsidiary of Tencent
"Tianjin Maoyan Weying"	Tianjin Maoyan Weying Cultural Media Co., Ltd. (天津貓眼微影文化傳媒有限公司), formerly known as Tianjin Maoyan Cultural Media Co., Ltd. (天津貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on May 27, 2015 with limited liability and a Consolidated Affiliated Entity, which is a holding company of all the other Consolidated Affiliated Entities of our Group

Definitions and Glossary

"Tianjin Meimao"	Tianjin Meimao Cultural Media Co., Ltd. (天津美貓文化傳媒有限公司), a company incorporated under the laws of the PRC on November 22, 2018, with the limited liability and a Consolidated Affiliated Entity
"Tianjin Caichuang"	Tianjin Caichuang Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩創企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
"Tianjin Caixuan"	Tianjin Caixuan Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩絢企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
"Tianjin Caiyi"	Tianjin Caiyi Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩溢企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 5, 2016 and one of our Historical ESOP Platforms
"Tianjin Caiying"	Tianjin Caiying Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩盈企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
"Tianjin Guanghong"	Tianjin Guanghong Enterprise Management and Consultation Partnership (Limited Partnership) (天津光鴻企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
"US$" or "US dollars" or "USD"	U.S. dollars, the lawful currency of the United States of America
"Xinjiang Maoyan Network"	Xinjiang Maoyan Network Technology Co., Ltd. (新疆貓眼網絡科技有限公司), a company incorporated under the laws of the PRC on November 10, 2016 with limited liability and a wholly-owned subsidiary of Beijing Maoyan, and a Consolidated Affiliated Entity
"Year"	the year ended December 31, 2021
"%"	per cent

Maoyan Entertainment