[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LINMON MEDIA LIMITED AND MORGAN STANLEY ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Linmon Media Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-88], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the three months ended 31 March 2022 (the "Relevant Periods"), the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 and the statement of financial position of the Company as at 31 December 2021 and 31 March 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-88] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [DATE] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 and the financial position of the Company as at 31 December 2021 and 31 March 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	*5*	1,794,164	1,426,159	1,248,964	48,083	470,648
Cost of sales		(1,393,316)	(880,403)	(689,934)	(6,037)	(287,469)
Gross profit		400,848	545,756	559,030	42,046	183,179
Other income and gains	*5*	49,290	51,011	113,197	25,477	14,311
Selling and distribution expenses		(116,074)	(131,281)	(103,336)	(12,359)	(40,786)
Administrative expenses		(97,753)	(93,774)	(162,104)	(21,701)	(55,557)
Other expenses		(10,104)	(25,198)	(54,502)	(557)	(3,378)
Finance costs	*7*	(21,446)	(12,420)	(4,844)	(968)	(565)
Share of profits and losses of associates		(3,140)	(879)	2,200	174	(695)
Changes in fair value of convertible redeemable preferred shares	*26*	(93,924)	(239,176)	(225,852)	(49,665)	(70,539)
PROFIT/(LOSS) BEFORE TAX	*6*	107,697	94,039	123,789	(17,553)	25,970
Income tax expense	*10*	(27,299)	(31,494)	(62,876)	5,625	(28,093)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		80,398	62,545	60,913	(11,928)	(2,123)
Attributable to:						
Owners of the parent		82,951	50,130	60,913	(11,928)	(2,123)
Non-controlling interests		(2,553)	12,415	–	–	–
		80,398	62,545	60,913	(11,928)	(2,123)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
– Basic (RMB yuan)	*12*	N/A	N/A	0.61	N/A	(0.01)
– Diluted (RMB yuan)	*12*	N/A	N/A	0.60	N/A	(0.01)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	8,849	1,676	5,908	5,237
Right-of-use assets	*14(a)*	46,358	23,112	28,893	24,635
Goodwill	*15*	30,418	–	–	–
Other intangible assets	*16*	2,740	1,301	2,759	2,569
Investments in associates	*17*	53,769	52,890	55,090	54,395
Advance payments for other intangible assets		–	828	–	–
Deferred tax assets	*27*	389,000	457,157	54,281	51,213
Financial assets at fair value through profit or loss	*21*	11,600	9,609	58,690	57,720
Prepayments, other receivables and other assets	*20*	70,328	82,177	113,665	76,674
Trade receivables	*19*	–	–	–	48,209
Time deposits	*22*	–	350,000	350,000	350,000
Total non-current assets		613,062	978,750	669,286	670,652
CURRENT ASSETS					
Inventories	*18*	825,294	336,922	554,213	353,118
Trade and notes receivables	*19*	462,118	255,759	385,582	501,886
Prepayments, other receivables and other assets	*20*	188,439	175,047	203,990	208,765
Financial assets at fair value through profit or loss	*21*	591,164	670,245	325,124	216,715
Restricted cash	*22*	119,760	–	–	–
Cash and cash equivalents	*22*	202,737	125,254	824,952	1,116,597
Total current assets		2,389,512	1,563,227	2,293,861	2,397,081
CURRENT LIABILITIES					
Trade payables	*23*	57,596	12,216	76,246	46,953
Other payables and accruals	*24*	784,705	311,835	466,669	462,023
Interest-bearing bank and other borrowings	*25*	281,519	17,230	–	–
Convertible redeemable preferred shares	*26*	–	3,055,412	3,276,406	3,346,945
Lease liabilities	*14(b)*	15,489	13,090	16,941	14,381
Tax payable		7,250	63,918	74,835	31,932
Total current liabilities		1,146,559	3,473,701	3,911,097	3,902,234

		As at 31 December			As at 31 March
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS/(LIABILITIES)		1,242,953	(1,910,474)	(1,617,236)	(1,505,153)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,856,015	(931,724)	(947,950)	(834,501)
NON-CURRENT LIABILITIES					
Other payables and accruals	*24*	–	–	362,769	472,477
Interest-bearing bank and other borrowings	*25*	2,830	–	–	–
Convertible redeemable preferred shares	*26*	2,728,796	–	–	–
Lease liabilities	*14(b)*	30,419	9,855	11,761	9,388
Total non-current liabilities		2,762,045	9,855	374,530	481,865
Net liabilities		(906,030)	(941,579)	(1,322,480)	(1,316,366)
EQUITY					
Equity attributable to owners of the parent					
Share capital	*28*	–	–	28	28
Share premium	*28*	–	–	23,983	23,983
Reserves	*29*	(906,130)	(941,579)	(1,346,491)	(1,340,377)
		(906,130)	(941,579)	(1,322,480)	(1,316,366)
Non-controlling interests		100	–	–	–
Total deficits		(906,030)	(941,579)	(1,322,480)	(1,316,366)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital *RMB'000* *(note 28)*	Capital reserve *RMB'000* *(note 29)*	Share award reserve *RMB'000* *(note 30)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total deficits *RMB'000*
Year ended 31 December 2019							
At 1 January 2019	–	(206,424)	785	(783,929)	(989,568)	2,653	(986,915)
Profit/(loss) and total comprehensive income/(loss) for the year	–	–	–	82,951	82,951	(2,553)	80,398
Equity-settled share award arrangements	–	–	487	–	487	–	487
At 31 December 2019	–	(206,424)*	1,272*	(700,978)*	(906,130)	100	(906,030)
Year ended 31 December 2020							
At 1 January 2020	–	(206,424)	1,272	(700,978)	(906,130)	100	(906,030)
Profit and total comprehensive income for the year	–	–	–	50,130	50,130	12,415	62,545
Equity-settled share award arrangements	–	–	672	–	672	–	672
Acquisition of non-controlling interests	–	1,189	–	–	1,189	(1,189)	–
Deemed distribution to shareholders *(note 26)*	–	(87,440)	–	–	(87,440)	–	(87,440)
Disposal of subsidiaries *(note 31)*	–	–	–	–	–	12,536	12,536
Dividends paid to non-controlling shareholders *(note 11)*	–	–	–	–	–	(23,862)	(23,862)
At 31 December 2020	–	(292,675)*	1,944*	(650,848)*	(941,579)	–	(941,579)

	Attributable to owners of the parent					
	Share capital *RMB'000* *(note 28)*	Share premium *RMB'000* *(note 28)*	Capital reserve *RMB'000* *(note 29)*	Share award reserve *RMB'000* *(note 30)*	Accumulated losses *RMB'000*	Total deficits *RMB'000*
Year ended 31 December 2021						
At 1 January 2021	–	–	(292,675)	1,944	(650,848)	(941,579)
Profit and total comprehensive income for the year	–	–	–	–	60,913	60,913
Issue of ordinary shares *(note 28)*	29	23,983	–	–	–	24,012
Redesignated as preferred shares *(note 28)*	(1)	–	–	–	–	(1)
Equity-settled share award arrangements	–	–	–	9,304	–	9,304
Deferred tax impact as part of the Reorganisation#	–	–	(451,129)	–	–	(451,129)
Repurchase of shares of a subsidiary as part of the Reorganisation	–	–	(24,000)	–	–	(24,000)
At 31 December 2021	28	23,983	(767,804)*	11,248*	(589,935)*	(1,322,480)

	Attributable to owners of the parent					
	Share capital *RMB'000* *(note 28)*	**Share premium** *RMB'000* *(note 28)*	**Capital reserve** *RMB'000* *(note 29)*	**Share award reserve** *RMB'000* *(note 30)*	**Accumulated losses** *RMB'000*	**Total deficits** *RMB'000*
Three months ended 31 March 2022						
At 1 January 2022	28	23,983	(767,804)	11,248	(589,935)	(1,322,480)
Loss and total comprehensive loss for the period	–	–	–	–	(2,123)	(2,123)
Equity-settled share award arrangements	–	–	–	8,237	–	8,237
At 31 March 2022	28	23,983	(767,804)*	19,485*	(592,058)*	(1,316,366)

* These reserve accounts comprise the consolidated reserves of RMB(906,130,000), RMB(941,579,000) , RMB(1,346,491,000) and RMB(1,340,377,000) in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

"Deferred tax impact as part of the Reorganisation" represented the tax impact derived from the repurchase of preferred shares by Shanghai Linmon and the issuance of preferred shares by the Company at the same original investment costs as part of the Reorganisation, which were initiated by the owners of the Company with no commercial substance and changed the tax rate applicable to measurement of related deferred tax asset from 25%, the statutory tax rate of Shanghai Linmon, to nil, the one of the Company. The tax impact was recognized in equity, as there was no changes in rights and obligations in terms of the preferred shares but only reflects the respective investors' interests in Shanghai Linmon to those in the Company for the purpose of the Reorganisation.

The directors of the Company applied the paragraph 63 of HKAS 12 to allocate the full amount of the deferred tax impact directly in equity, taking into account the following considerations:

- The tax consequence is as a result of the Reorganisation which, as disclosed in the note 2.1 to the Historical Financial Information, has not resulted in any change of the respective voting and beneficial interests and has accounted for by applying the principles of merger accounting.

- Due to the Reorganisation, the preferred shares were transferred from Shanghai Linmon to the Company at the original issuance price, rather than at fair value, which made the temporary difference between the tax base (i.e. the original issuance price) and the carrying amount (i.e. fair value) previously recognised by Shanghai Linmon no longer realisable. This tax consequence is not due to an arm's length transaction but as a part of the whole Reorganisation with no commercial substance.

- The Reorganisation is to mirror the shareholders' interests in Shanghai Linmon to those in the Company, there were no changes to the carrying values of the preferred shares recognised in the consolidated financial statements of the Group as the rights and obligations in terms of the preferred shares between the Group and the investors remained unchanged.

For the three months ended 31 March 2021

	Attributable to owners of the parent					
	Share capital	**Share premium**	**Capital reserve**	**Share award reserve**	**Accumulated losses**	**Total deficits**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 17)	*(note 17)*		*(note 18)*		
Three months ended 31 March 2021						
At 1 January 2021	–	–	(292,675)	1,944	(650,848)	(941,579)
Loss and total comprehensive loss for the period *(unaudited)*	–	–	–	–	(11,928)	(11,928)
Equity-settled share award arrangements *(unaudited)*	–	–	–	213	–	213
At 31 March 2021 *(unaudited)*	–	–	(292,675)	2,157	(662,776)	(953,294)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		107,697	94,039	123,789	(17,553)	25,970
Adjustments for:						
Depreciation of property, plant and equipment	*6*	4,849	1,237	1,415	298	904
Depreciation of right-of-use assets	*6*	16,226	14,717	16,259	3,594	4,453
Amortisation of other intangible assets	*6*	4,739	689	636	53	267
Share of profits and losses of associates		3,140	879	(2,200)	(174)	695
Finance costs	*7*	21,446	12,289	4,844	968	565
Investment income from financial assets at fair value through profit or loss	*5*	(9,706)	(13,146)	(24,023)	(2,638)	(1,442)
Write-down of inventories to net realisable value	*6*	13,836	60,556	12,632	5,935	1,011
Changes in fair value of financial assets at fair value through profit or loss	*5*	(9,060)	(12,521)	(2,913)	(2,376)	(2,048)
Changes in fair value of convertible redeemable preferred shares	*6*	93,924	239,176	225,852	49,665	70,539
Fair value losses on financial liabilities under co-investment arrangements	*6*	7,283	13,699	39,261	51	–
Impairment of trade receivables, net	*19*	3,760	534	10,980	(2,281)	545
Gain on disposal of subsidiaries	*31*	–	(487)	–	–	–
Bank interest income from time deposits	*5*	–	(8,442)	(13,310)	(3,282)	(3,282)
Bank interest income from cash and bank balances	*5*	(1,598)	(1,883)	(2,711)	(596)	(801)
Interest income arising from revenue contracts		–	–	(1,707)	–	(374)
Loss on disposal of items of intangible assets	*6*	–	–	486	–	–
Loss on disposal of items of property, plant and equipment	*6*	–	4	3	–	–
Foreign exchange losses, net		–	–	11,284	(150)	3,091
Equity-settled share award expense	*6*	134	477	7,389	205	6,833
		256,670	401,817	407,966	31,719	106,926

		Year ended 31 December			Three months ended 31 March	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Decrease/(increase) in inventories		586,396	426,523	(227,715)	(265,040)	201,768
Decrease/(increase) in trade and notes receivables		(399,179)	193,584	(139,096)	77,442	(164,684)
Decrease/(increase) in prepayments, other receivables and other assets		35,298	(4,006)	(41,066)	(80,635)	37,310
Increase/(decrease) in trade payables		(75,403)	34,489	64,030	15,732	(29,293)
Increase/(decrease) in other payables and accruals		(120,198)	(489,456)	469,485	464,049	105,061
Cash generated from operations		283,584	562,951	533,604	243,267	257,088
Income tax paid		(91,784)	(41,666)	(100,212)	(63,554)	(67,928)
Interest received		1,598	1,883	2,711	596	801
Net cash flows from operating activities		193,398	523,168	436,103	180,309	189,961
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(1,014)	(350)	(5,650)	(135)	(233)
Proceeds from disposal of items of property, plant and equipment		41	–	–	–	–
Additions of other intangible assets		–	(828)	(1,752)	(249)	(77)
Disposal of subsidiaries	*31*	–	(4,453)	–	–	–
Purchases of financial assets at fair value through profit or loss		(2,107,000)	(2,017,285)	(3,850,183)	(940,000)	(570,000)
Increase in time deposits		–	(350,000)	–	–	–
Proceeds from disposal of financial assets at fair value through profit or loss		2,007,892	1,965,862	4,186,481	782,372	682,869
Net cash flows from/(used in) investing activities		(100,081)	(407,054)	328,896	(158,012)	112,559

		Year ended 31 December			Three months ended 31 March	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of ordinary shares		–	–	23,983	–	–
Proceeds from issue of preferred shares		–	–	1,284,991	–	–
Repurchase of ordinary shares		–	–	(24,000)	–	–
Repurchase of preferred shares		–	–	(1,289,850)	–	–
Decrease/(increase) in restricted cash		(32,826)	119,760	–	–	–
Payment for deferred [**REDACTED**] expenses		–	–	(6,015)	–	(1,812)
Proceeds from bank loans and other borrowings		294,925	14,400	496,400	–	–
Repayment of bank loans and other borrowings		(375,325)	(281,519)	(513,630)	(14,400)	–
Dividends paid to non-controlling shareholders		–	(23,862)	–	–	–
Interest paid		(34,231)	(9,113)	(9,319)	(968)	(565)
Repayment of principal portion of lease liabilities		(15,110)	(13,263)	(16,577)	(4,242)	(5,407)
Net cash flows used in financing activities		(162,567)	(193,597)	(54,017)	(19,610)	(7,784)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(69,250)	(77,483)	710,982	2,687	294,736
Cash and cash equivalents at beginning of year/period	22	271,987	202,737	125,254	125,254	824,952
Effect of foreign exchange rate changes, net		–	–	(11,284)	150	(3,091)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		202,737	125,254	824,952	128,091	1,116,597
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	22	202,737	125,254	824,952	128,091	1,116,597
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows		202,737	125,254	824,952	128,091	1,116,597

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2021 RMB'000	As at 31 March 2022 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		3,101,704	3,101,704
Total non-current assets		3,101,704	3,101,704
CURRENT ASSETS			
Prepayments, other receivables and other assets	*20*	4,400	5,630
Cash and cash equivalents	*22*	82,520	80,388
Total current assets		86,920	86,018
CURRENT LIABILITIES			
Other payables and accruals	*24*	1,922	5,979
Convertible redeemable preferred shares	*26*	3,276,406	3,346,945
Total current liabilities		3,278,328	3,352,925
NET CURRENT LIABILITIES		(3,191,408)	(3,266,907)
TOTAL ASSETS LESS CURRENT LIABILITIES		(89,704)	(165,202)
Net liabilities		(89,704)	(165,202)
EQUITY			
Share capital	*28*	28	28
Share premium	*28*	23,983	23,983
Reserves		(113,715)	(189,213)
Total deficits		(89,704)	(165,202)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 10 June 2021. The registered office address of the Company is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally involved in the production, distribution and licensing of broadcasting rights of TV series ("drama series").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Development" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Linmon Media (BVI) Limited *(note (a))*	British Virgin Islands 15 June 2021	US$1	100%	–	Investment holding
Linmon Media Holding Limited *(note (a))*	Hong Kong 6 July 2021	HK$1	–	100%	Investment holding
Linmon Media International Co., Limited *(note (a))*	Hong Kong 4 February 2021	HK$1	–	100%	Investment holding
Linmon International Limited ("Linmon International") (檸萌國際傳媒有限公司) *(note (c))*	Hong Kong 12 June 2016	HK$10,000	–	100%	Investment in, distribution and licensing of broadcasting rights of drama series
Shanghai Ninghe Culture and Media Co., Ltd.* ("Shanghai Ninghe") (上海檸合文化傳媒有限公司) *(note (d))*	People's Republic of China ("PRC")/ Mainland China 27 July 2021	RMB500,000,000	–	100%	Investment holding
Shanghai Linmon Picture Media Co., Ltd. ("Shanghai Linmon")* (上海檸萌影視傳媒股份有限公司) *(note (e))*	PRC/Mainland China 25 July 2014	RMB255,506,000	–	100%	Investment, production, distribution and operation of drama series and relevant derivatives
Hainan Linmon Kaixin Film and Television Media Co., Ltd.* (海南檸萌開新影視傳媒有限公司) *(note (b))*	PRC/Mainland China 8 May 2021	RMB3,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hangzhou Wuren Guanji Culture and Media Co., Ltd.* (杭州無人關機文化傳媒有限公司) *(note (b))*	PRC/Mainland China 6 March 2021	RMB3,000,000	–	100%	Investment in, internet live technical services
Shanghai Ningchuan Culture and Media Co., Ltd.* (上海檸川文化傳媒有限公司) *(note (b))*	PRC Mainland China 12 May 2021	RMB3,000,000	–	100%	Shooting and production of product placement advertisements in drama series
Zhejiang Dongyang Linmon Film and Television Media Co., Ltd. ("Dongyang Linmon")* (浙江東陽檸萌影視傳媒有限公司) *(note (e))*	PRC/Mainland China 22 April 2019	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Linmon Kaixin Film and Television Media Co., Ltd. ("Shanghai Linmon Kaixin")* (上海檸萌開新影視傳媒有限公司) *(notes (e) and notes (f))*	PRC/Mainland China 2 November 2015	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Linmon Yuexin Film and Television Media Co., Ltd. ("Shanghai Linmon Yuexin")* (上海檸萌悅心影視傳媒有限公司) *(notes (e) and (f))*	PRC/Mainland China 12 January 2015	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Zhejiang Dongyang Linmon Kaixin Film and Television Media Co., Ltd. ("Dongyang Linmon Kaixin")* (浙江東陽檸萌開新影視傳媒有限公司) *(notes (e) and (f))*	PRC/Mainland China 29 May 2019	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Zhejiang Dongyang Linmon Yuexin Film and Television Media Co., Ltd. ("Dongyang Linmon Yuexin")* (浙江東陽檸萌悅心影視傳媒有限公司) *(notes (e) and (f))*	PRC/Mainland China 2 December 2019	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Horgos Linmon Black Tea Film and Television Media Co., Ltd. ("Horgos Linmon Black Tea")* (霍爾果斯檸萌紅茶影視傳媒有限公司) *(notes (e) and (f))*	PRC/Mainland China 5 April 2017	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Ningxin Culture Investment Management Co., Ltd. ("Shanghai Ningxin")* (上海檸新文化投資管理有限公司) *(note (a))*	PRC/Mainland China 16 February 2017	RMB10,000,000	–	100%	Investment holding

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Horgos Linmon Film and Television Media Co., Ltd. ("Horgos Linmon")* (霍爾果斯檸萌影視傳媒有限公司) *(note (e))*	PRC/Mainland China 20 April 2016	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Ningshi Enterprise Management Co., Ltd. ("Shanghai Ningshi")* (上海檸視企業管理有限公司) *(note (b))*	PRC/Mainland China 8 January 2021	RMB3,000,000	–	100%	Investment holding
Shanghai Ningjie Culture Media Co., Ltd. ("Shanghai Ningjie")* (上海檸捷文化傳媒有限公司) *(note (b))*	PRC/Mainland China 31 August 2021	RMB500,000,000	–	100%	Investment holding
Beijing Haoyou Benling Culture Media Co., Ltd. ("Haoyou Benling")* (北京好有本領文化傳媒有限公司) *(note (b))*	PRC/Mainland China 25 August 2021	RMB3,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series
Beijing Ningle Film and Television Media Co., Ltd. ("Beijing Ningle")* (北京檸樂影視傳媒有限公司) *(note (a))*	PRC/Mainland China 19 January 2022	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Yuri Juzeng Culture Media Co., Ltd ("Yuri Juzeng")* (上海與日俱增文化傳媒有限公司) *(note (a))*	PRC/ Mainland China 10 February 2022	RMB 3,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series

Notes:

(a) No audited financial statements have been prepared for these entities since their dates of incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation or newly incorporated.

(b) These entities are limited liability enterprises established under PRC law. The statutory financial statements for the period from the date of incorporation to 31 December 2021 prepared under PRC Generally Accepted Accounting Principles were audited by Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(c) The entity is a limited liability enterprise established under Hong Kong law. The statutory financial statements of Linmon International for the year ended 31 December 2019 and the period from 1 January 2020 to 31 March 2021 prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard were audited by PETER W.H.MA & CO., certified public accountants registered in Hong Kong. The entity was approved by the Registrar of Companies to terminate its registration in June 2022.

(d) The entity is registered as a wholly-foreign-owned enterprise under PRC law. No audited financial statements have been prepared for this entity since its date of incorporation.

(e) These entities are limited liability enterprises established under PRC law. The statutory financial statements for the years ended 31 December 2019, 2020 and 2021 prepared under PRC Generally Accepted Accounting Principles were audited by Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(f) The Group acquired the remaining 30% and 20% equity interests in Shanghai Linmon Kaixin (including its subsidiary Dongyang Linmon Kaixin) and Shanghai Linmon Yuexin (including its subsidiaries Dongyang Linmon Yuexin and Horgos Linmon Black Tea) from their non-controlling shareholders in June 2020 and September 2020, respectively. Since then the both entities became wholly-owned subsidiaries of the Group.

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Development" in the Document, the Company became the holding company of the companies now comprising the Group on 31 August 2021.

Shanghai Linmon and its subsidiaries (the "Consolidated Affiliated Entities") are engaged in the production, distribution and licensing of broadcasting rights of drama series business, which was prohibited or restricted from foreign ownership due to regulatory prohibitions. A wholly-owned subsidiary of the Company, Shanghai Ninghe, has entered into a series of contractual arrangements (the "Contractual Arrangements") with the Consolidated Affiliated Entities and their respective equity holders (hereafter the equity holders of the Consolidated Affiliated Entities referred to as the "Registered Shareholders"). The Contractual Arrangements enable Shanghai Ninghe to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in the Consolidated Affiliated Entities. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Document.

As the Reorganisation only involved inserting new holding companies at the top of an existing company, that has not resulted in any change of the respective voting and beneficial interests, the Historical Financial Information for the Relevant Periods and the three months ended 31 March 2021 has been presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and convertible redeemable preferred shares which have been measured at fair value.

The Group had total deficits of approximately RMB1,316,366,000 and recorded net current liabilities of RMB1,505,153,000 as at 31 March 2022, which was primarily due to the convertible redeemable preferred shares of RMB3,346,945,000 being classified as current liabilities as set out in note 26 to the Historical Financial Information. The directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 March 2022, the Group had available bank facilities with a total amount of RMB1,992,500,000 which can be utilised in the next twelve months. The founders of the Group have also agreed to provide additional financial support to enable the Group to meet in full its financial obligations as and when they fall due for the foreseeable future. Taking into account these additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the Historical Financial Information has been prepared on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 4]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1, 3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

4 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group expects that the adoption of the new and revised HKFRSs will have no significant financial effect on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries arising from the Reorganisation

The Registered Shareholders, Shanghai Linmon and Shanghai Ninghe have entered into the Contractual Arrangements which became effective on 31 August 2021. Each of the shareholders of Shanghai Linmon authorised and appointed Shanghai Ninghe, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as equity holders of Shanghai Linmon. In particular, Shanghai Ninghe undertakes to provide the Consolidated Affiliated Entities with certain technical services as required to support their operations. In return, Shanghai Ninghe is entitled to substantially all of the operating profits and residual benefits generated by the Consolidated Affiliated Entities through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their equity interests in Shanghai Linmon to Shanghai Ninghe or the designee appointed by Shanghai Ninghe upon a request made by Shanghai Ninghe when permitted by the PRC laws for a consideration. The equity interests in Shanghai Linmon have also been pledged by the Registered Shareholders to Shanghai Ninghe in respect of the continuing obligations of the Consolidated Affiliated Entities. Accordingly, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power, and thus control over the Consolidated Affiliated Entities.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performed its annual impairment test of goodwill as at 31 December 2019. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each of the reporting periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the reporting periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the reporting periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	19.0%
Electronic equipment	32.0%
Leasehold improvements	22.2%-33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 years.

Trademarks

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years, which is shorter of legal registered period and the period over which the trademark is expected to generate net cash inflows from the commercialisation of product.

Artiste management agreements

Artiste management agreements are stated at cost less any impairment loss and are amortised on the straight-line basis over the contract periods of artiste management agreements of 33 months.

Non-compete agreements

Non-compete agreements are stated at cost less any impairment loss and are amortised on the straight-line basis over the contract periods of non-compete agreements of 40 months.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	3-4 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statements of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of studio, electronic equipment and vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

During the Relevant Periods, the Group made investments in certain convertible redeemable preferred shares or ordinary shares with preferential rights issued by the investee companies. The Group maintained significant influence in these companies but in substance had risks and returns different with those of interests in associates. The Group also has interests in certain investee companies in the form of ordinary shares without significant influence, which are managed and their performance are evaluated on a fair value basis. The Company designated the whole instruments as financial assets at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, financial liabilities at fair value through profit or loss, amounts due to a joint venture and a related party, dividend payable and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

The Group designated the convertible redeemable preferred shares upon initial recognition as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities when the holders of the convertible redeemable preferred shares cannot demand the Company to redeem the convertible redeemable preferred shares until at least 12 months after the end of each reporting period.

Financial liabilities at amortised cost (loans and borrowings)

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in other expenses in the statement of profit or loss.

Inventories

Inventories include the cost of completed drama series, drama series in production and undeveloped scripts and purchased copyrights or broadcasting rights of drama series. Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses.

The amounts of inventories recognised as cost of sales for a given period are determined using the drama series forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals are based on the proportion of the drama series' revenues recognised for such period to the drama series' estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a drama series' life cycle).

Accounting for the co-investment arrangements and co-financing arrangements

Under the co-investment arrangements where the Group acts as an executive producer, the investment from the other co-investors is considered as the selling of shares of interests and copyrights in drama series to such co-investors by the Group. If the co-investors bear full risk for the shares of interests and copyrights of drama series they invested in, the amounts received from such co-investors are recognised as reductions of the costs of the drama series upon the receipt of the license for distribution of drama series from the National Radio and Television Administration of the PRC ("NRTA"). The amounts paid to such co-investors for the share of interests of drama series pursuant to the co-investment arrangements are recognised as deductions of revenue.

When co-investors are not entitled to any shares of copyrights in drama series they invested in under co-investment arrangements and the Group acts as principal and is obligated to share the licensing revenue with such co-investors at a fixed return basis or based on the respective investment ratio, the amounts received from such co-investors are recognised as financial liabilities. The financial liabilities are subsequently measured at amortised costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognised in finance costs (for fixed return investments) or other expenses (for variable return investments), respectively.

The amount paid under co-financing arrangements to the third-party investors by the Group in order to obtain shares of legal rights (i.e. copyrights, broadcasting rights) of drama series is recognised as prepayments under the co-investment arrangements and reclassified as inventories upon the receipt of the license for distribution of drama series from the NRTA. The amounts received for the share of legal rights of drama series are recognised as revenue.

The amount paid under co-financing arrangements to third-party investors by the Group where the Group are not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of the drama series is recognised as financial assets. The financial assets are subsequently measured at amortised costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognised in other income (for fixed return investments) or revenue (for variable return investments), respectively.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the reporting periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the reporting periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group is mainly involved in the licensing of broadcasting rights of drama series. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

(a) Licensing of broadcasting rights of original drama series

Revenue from the licensing of broadcasting rights of drama series is recognised at the point in time when the drama series are available to the licensee and the licensee is able to use and benefit from the license, generally on delivery of the drama series after the approval from the NRTA or receipt of the licence for distribution of drama series from the provincial counterpart of the NRTA when a customer is provided with a right to broadcast the drama series as it exists at the point in time when the licence is granted.

In certain agreements with online video platform customers, the Group is entitled to additional bonus based on the actual broadcasting performance, the additional or renewal of membership subscriptions. Revenue from such additional bonus is recognised when the amount is determined and confirmed by the customers.

Retrospective price adjustments may be provided to certain customers if the drama series licensed by the Group are taken down from broadcasting channels during the license period. To estimate the variable consideration for the expected future price adjustments, the expected value method is used.

(b) Production of made-to-order drama series

The Group determines whether it is a principal or an agent in production of made-to-order drama series by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised services before transferring the services to the customer. Otherwise, the Group is an agent and records as revenue the net amount that it retains for its agency services if its role is to arrange to provide the services. To assess whether the Group controls the services before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group is (i) the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has discretion in establishing the selling price.

As the consideration for the production of made-to-order drama series is fully constrained until broadcasting, revenue from production of made-to-order drama series is recognised at point in time when made-to-order drama series are accepted by the customers, which is usually when the first broadcast occurs.

(c) Content marketing

Content marketing involves the production of advertisements which are either placed in the drama series produced by the Group, or will be broadcasted together with the drama series. It also involves provision of marketing campaign services which usually consists of multiple performance obligations. Revenue from production of advertisements is recognised at the point in time when the advertisements are accepted by the customers and the contract amount is determinable. Revenue from each performance obligation in marketing campaign services is recognised over time in which the services are rendered to or consumed by the customer simultaneously, or at a point in time upon the delivery and acceptance of the products by the customer.

(d) Licensing of drama elements

Revenue from the sale of license of drama elements (script material, clips, music, etc.) is recognised at the point in time when the right to use the relevant intangible property in the drama series is transferred to licensee and the contract amount is determinable.

A sales-based royalty is recognised as revenue only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

(e) Artiste management service income

Artiste management service income is derived from sourcing drama actor services, entertainment events and TV programs to the artistes. Revenue is recognised over the time of the service period. The Group has discontinued artiste management services since February 2020 when Shanghai Mengyang Culture and Artiste Management Co., Ltd. was disposed of.

Revenue from other sources

Under co-financing arrangements where the Group is not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of drama series, the investment amount paid by the Group is recognised as financial assets which are subsequently measured at amortised costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognised in other income (for fixed return investments) or revenue (for variable return investments), respectively.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and non-employees of the Group receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of the goods or services received at the date they are received. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

Other employee benefits

Pension schemes

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Contractual Arrangements

The Consolidated Affiliated Entities are engaged in the production, distribution and licensing of broadcasting rights of drama series. Under the scope of "Special Management Measures for Access of Foreign Investment (2020 Edition)", foreign investors are prohibited to invest in such business.

As disclosed in note 2.1 to the Historical Financial Information, as part of the Reorganisation, the Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements.

The Group does not have any equity interests in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over them. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the Historical Financial Information during the reporting period.

Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

The carrying amounts of the Group's tax payable as at 31 December 2019, 2020 and 2021 and 31 March 2022 were RMB7,250,000, RMB63,918,000, RMB74,835,000 and RMB31,932,000, respectively.

The carrying amounts of the Group's deferred tax assets as at 31 December 2019, 2020 and 2021 and 31 March 2022 were RMB389,000,000, RMB457,157,000 and RMB54,281,000 and RMB51,213,000, respectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Determining the method to estimate variable consideration and assessing the constraint for the revenue from licensing of broadcasting rights of original drama series

Certain contracts for the revenue from licensing of broadcasting rights of original drama series include retrospective price adjustments that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the revenue from licensing of broadcasting rights of original drama series with price adjustments, given there is a range of possible outcomes which are subject to negotiations with customers.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, negotiations with customer, current industry practice and economic conditions.

Write-down of inventories to net realisable value

The Group's management reviews the conditions of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a project-by-project basis at the end of each Relevant Periods and makes provision for obsolete projects. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition at the end of each Relevant Periods and the historical experience of producing and distributing drama series of a similar nature. The Group's management reassesses the estimation at the end of the reporting period.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing period and days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical expected default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the debtors and the economic environment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical expected default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future. The provision for impairment of trade receivables at 31 December 2019, 2020 and 2021 and 31 March 2022 amounted to RMB25,998,000, RMB26,488,000, RMB37,468,000 and RMB38,013,000, respectively, details of which are set out in note 19 to the Historical Financial Information.

Amortisation of inventories

The amount of inventories recognised as costs of sales for a given period is determined using the drama series forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals are based on the proportion of the drama series' revenues recognised for such period to the drama series' estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a drama series' life cycle).

Management regularly reviews the basis of the amortisation and will adjust the amortisation amount when expected changes in the drama series' estimated remaining ultimate revenues arise.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses at 31 December 2019, 2020 and 2021 and 31 March 2022 were RMB25,032,000, RMB15,915,000, RMB24,705,000 and RMB29,376,000, respectively. Further details are contained in note 27 to the Historical Financial Information.

The Group is subject to income taxes in various regions and objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome is different from the amounts originally recorded, the differences will impact on the tax provisions over the period in which the differences are realised.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB30,418,000. Further details are given in note 15 to the Historical Financial Information.

Estimation of the fair value of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method and back-solve method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the liquidation event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in note 26 to the Historical Financial Information.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 36 to the Historical Financial Information. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 21 to the Historical Financial Information.

Fair value of share options

The Group has adopted a Pre-[**REDACTED**] Share Option Scheme and granted share options to certain eligible non-employees and employees. The fair value of the share options to employees is determined by a binomial model at the date they are granted. The fair value of the share options to non-employees is determined by a binomial model at the date the services are received. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of options, are made by the board of directors of the Company. Further details are included in note 30 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the Relevant Periods and the three months ended 31 March 2021, the Group's operations were mainly within one geographical segment because most of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods and the three months ended 31 March 2021 is set out below:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Customer A	371,436	267,050	282,040	–	196,604
Customer B	N/A*	466,673	211,397	9,434	74,226
Customer C	887,828	315,472	268,079	–	65,533
Customer D	213,041	–	–	–	–
Customer E	–	N/A*	132,274	–	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the Relevant Periods and the three months ended 31 March 2021.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Revenue from contracts with customers	1,794,164	1,426,159	1,201,375	9,608	470,648
Revenue from other sources					
Net licensing fee received from investments in drama series under co-financing arrangement	–	–	47,589	38,475	–
	1,794,164	1,426,159	1,248,964	48,083	470,648

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Types of goods or services					
Licensing of broadcasting rights of original drama series	1,632,658	1,207,423	1,051,435	9,608	456,190
Content marketing	58,832	65,961	109,766	–	14,119
Others*	102,674	152,775	40,174	–	339
Total revenue from contracts with customers	1,794,164	1,426,159	1,201,375	9,608	470,648

* Others mainly consist of production of made-to-order drama series, licensing of drama elements and artiste management service.

Geographical markets

The Group's revenue was mainly generated from customers located in Mainland China during the Relevant Periods and the three months ended 31 March 2021.

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Timing of revenue recognition					
Goods transferred at a point in time	1,688,869	1,406,969	1,148,009	9,608	461,324
Services transferred over time	23,872	422	–	–	2,990
Services transferred at a point in time	81,423	18,768	53,366	–	6,334
Total revenue from contracts with customers	1,794,164	1,426,159	1,201,375	9,608	470,648

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the Relevant Periods and the three months ended 31 March 2021:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Licensing of the broadcasting rights of original drama series	555,360	381,509	152,661	–	72,604
Content marketing	19,189	21,528	17,707	–	3,738
Others	9,741	–	–	–	–
	584,290	403,037	170,368	–	76,342

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Licensing of the broadcasting rights of original drama series

The performance obligation is satisfied at point in time when the broadcasting rights are authorised and the customer can begin exhibiting or selling the drama series. Generally, upfront payment is received from customers for purchasing broadcasting rights of relevant drama series when the contract is signed, and the remaining contract amount is generally due within three months to twelve months.

Content marketing

The performance obligation is satisfied at point in time when the content marketing services are complete and accepted by the customers in accordance with the terms of the contract or over time in which the services are rendered to or consumed by the customer simultaneously. The payment is generally due within three months to twelve months.

Others

The performance obligation of licensing of drama elements is satisfied at point in time when the right to use the relevant intangible property in the drama series is transferred to licensee and the contract amount is determinable. The payment is generally due within three months to nine months.

The performance obligation of made-to-order drama series production is satisfied at point in time when the drama series are complete and accepted by the customers in accordance with the terms of the contract. Payment is generally due within three months to twelve months.

The performance obligation of revenue received from the artiste management service income is satisfied over the time of the service period and payment is generally due within three months to nine months.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019, 2020 and 2021 and 31 March 2022 are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:				
Within one year	724,873	580,894	1,077,510	1,093,486
Over one year	–	–	1,268,704	1,768,704
	724,873	580,894	2,346,214	2,862,190

The amounts disclosed above do not include variable consideration which is constrained. The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to licensing of the broadcasting rights of original drama series and content marketing, of which the performance obligations are to be satisfied within three years.

An analysis of other income and gains is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government grants					
– related to income *(a)*	28,777	13,449	42,287	3,913	5,317
Additional deduction for input value added tax	–	–	25,686	12,672	1,039
Interest income on					
– cash and bank balances	1,598	1,883	2,711	596	801
– time deposits	–	8,442	13,310	3,282	3,282
Interest income arising from revenue contracts	–	–	1,707	–	374
Investment income from financial assets at fair value through profit or loss *(b)*	9,706	13,146	24,023	2,638	1,442
Gain on disposal of subsidiaries *(note 31)*	–	487	–	–	–
Fair value gains:					
Financial assets at fair value through profit or loss	9,060	12,521	2,913	2,376	2,048
Others	149	1,083	560	–	8
	49,290	51,011	113,197	25,477	14,311

Notes:

(a) The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these government grants.

(b) Gain arising from the disposal of investment in WAJIJIWA Entertainment (Tianjin) Co., Ltd. amounting to RMB7,690,000 is included in the investment income from financial assets at fair value through profit or loss in 2021.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

		Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cost of inventories sold*		1,379,480	819,847	677,302	–	287,495
[**REDACTED**] expense		–	–	21,416	–	7,797
Depreciation of property, plant and equipment	*13*	4,849	1,237	1,415	298	904
Depreciation of right-of-use assets	*14*	16,226	14,717	16,259	3,594	4,453
Amortisation of other intangible assets**	*16*	4,739	689	636	53	267
Government grants		(28,777)	(13,449)	(67,973)	(16,585)	(6,356)
Bank interest income		(1,598)	(10,325)	(16,021)	(3,878)	(4,083)
Interest income arising from revenue contracts		–	–	(1,707)	–	(374)
Lease payments not included in the measurement of lease liabilities	*14(c)*	838	479	578	18	557
Auditor's remuneration		271	700	507	102	102
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):						
Wages and salaries		44,418	44,924	68,744	13,759	28,995
Pension scheme contributions****		3,487	297	4,524	868	1,390
Staff welfare expenses		4,980	4,920	7,311	1,152	1,382
Equity-settled share award expenses		134	477	7,389	205	6,833
		53,019	50,618	87,968	15,984	38,600
Loss on disposal of items of property, plant and equipment		–	4	3	–	–
Foreign exchange losses/(gains), net		(85)	1,772	14,036	332	3,154
Loss on disposal of items of other intangible assets		–	–	486	–	–
Impairment of trade receivables, net	*19*	3,760	534	10,980	(2,281)	545
Write-down of inventories to net realisable value***		13,836	60,556	12,632	5,935	1,011
Interest expenses on financial liabilities under co-investment arrangements		3,702	5,550	–	–	–
Fair value gains, net:						
Financial assets at fair value through profit or loss		(9,060)	(12,521)	(2,913)	(2,376)	(2,048)
Fair value losses on financial liabilities under co-investment arrangements		7,283	13,699	39,261	51	–
Fair value losses on convertible redeemable preferred shares	*26*	93,924	239,176	225,852	49,665	70,539

* The cost of inventories sold includes nil, RMB736,000, nil, nil and RMB221,000, relating to equity-settled share award expenses during the years ended 31 December 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, respectively.

** The amortisation of other intangible assets is included in "Administrative expenses" and "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

*** Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on bank loans	16,280	5,321	2,873	–	–
Interests on financial liabilities under a co-investment arrangement	3,702	5,550	–	–	–
Interest on lease liabilities	1,464	1,418	1,018	249	200
Interest on discounted notes receivable	–	131	953	719	365
	21,446	12,420	4,844	968	565

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Su Xiao, Ms. Chen Fei, Ms. Xu Xiao'ou and Mr. Zhou Yuan were appointed as executive directors of the Company on 10 June 2021. Mr. Sun Zhonghuai and Mr. Zhang Rong were appointed as non-executive directors of the Company on 31 August 2021. Ms. Long Yu, Mr. Jiang Changjian and Ms. Tang Songlian were appointed as independent non-executive directors of the Company on 24 September 2021.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of the directors as recorded is set out below:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fees	–	–	288	–	90
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	8,955	8,660	8,728	2,178	3,476
Pension scheme contributions	184	16	228	52	60
	9,139	8,676	8,956	2,230	3,536
	9,139	8,676	9,244	2,230	3,626

Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Mr. Jiang Changjian	–	–	98	–	30
Ms. Long Yu	–	–	98	–	30
Ms. Tang Songlian	–	–	92	–	30
	–	–	288	–	90

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and the three months ended 31 March 2021.

Executive directors, non-executive directors and the chief executive

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Executive directors:				
Mr. Su Xiao	–	2,075	46	2,121
Ms. Xu Xiao'ou	–	2,063	46	2,109
Mr. Zhou Yuan	–	2,743	46	2,789
	–	6,881	138	7,019
Chief executive:				
Ms. Chen Fei	–	2,074	46	2,120
	–	8,955	184	9,139
Year ended 31 December 2020				
Executive directors:				
Mr. Su Xiao	–	2,171	4	2,175
Ms. Xu Xiao'ou	–	2,159	4	2,163
Mr. Zhou Yuan	–	2,159	4	2,163
	–	6,489	12	6,501
Chief executive:				
Ms. Chen Fei	–	2,171	4	2,175
	–	8,660	16	8,676

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021				
Executive directors:				
Mr. Su Xiao	–	2,188	57	2,245
Ms. Xu Xiao'ou	–	2,176	57	2,233
Mr. Zhou Yuan	–	2,176	57	2,233
	–	6,540	171	6,711
Chief executive:				
Ms. Chen Fei	–	2,188	57	2,245
	–	8,728	228	8,956
Three months ended 31 March 2022				
Executive directors:				
Mr. Su Xiao	–	890	15	905
Ms. Xu Xiao'ou	–	848	15	863
Mr. Zhou Yuan	–	848	15	863
	–	2,586	45	2,631
Chief executive:				
Ms. Chen Fei	–	890	15	905
	–	3,476	60	3,536
Three months ended 31 March 2021 (unaudited)				
Executive directors:				
Mr. Su Xiao	–	546	13	559
Ms. Xu Xiao'ou	–	543	13	556
Mr. Zhou Yuan	–	543	13	556
	–	1,632	39	1,671
Chief executive:				
Ms. Chen Fei	–	546	13	559
	–	2,178	52	2,230

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the three months ended 31 March 2021.

During the Relevant Periods and the three months ended 31 March 2021, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the three months ended 31 March 2021 included 4, 4, 4, 4 and 4 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods and the three months ended 31 March 2021 of the remaining 1, 1, 1, 1 and 1 highest paid employee, respectively, who is neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			**Three months ended 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, bonuses, allowances and benefits in kind	1,236	1,214	1,322	330	699
Equity-settled share award expenses	–	–	431	–	427
Pension scheme contributions	46	4	57	13	15
	1,282	1,218	1,810	343	1,141

The remuneration of the non-director and non-chief executive highest paid employee fell within the following bands as follows:

	Number of employees				
	Year ended 31 December			**Three months ended 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Nil to HK$1,000,000	–	–	–	1	–
HK$1,000,001 to HK$1,500,000	1	1	–	–	1
HK$1,500,001 to HK$2,000,000	–	–	1	–	–

During the Relevant Periods and the three months ended 31 March 2021, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the Relevant Periods and the three months ended 31 March 2021.

The provision for PRC corporate income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xinjiang Kashgar/Horgos special economic areas during the periods from 2010 to 2020 can enjoy Corporate Income Tax ("CIT") exemption for five years starting from the year under which the first revenue is generated. Horgos Linmon and Horgos Linmon Black Tea enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》). According to the Preferential Filing Record of CIT (《企業所得稅優惠事項備案表》), Horgos Linmon has obtained the approval from the State Administration of Taxation for the entitlement of CIT exemption from 26 July 2016 to 31 December 2020 and local bureau's CIT exemption for the next five years, from 1 January 2021. Horgos Linmon Black Tea has registered with the State Administration of Taxation for entitlement of CIT exemption from 16 October 2017 to 31 December 2021 for the grant of CIT exemption from local bureau for the next five years from 1 January 2022.

(a) The major components of the income tax expense of the Group during the Relevant Periods and the three months ended 31 March 2021 are analysed as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current – Mainland China					
Charge for the year/period	13,235	99,463	111,129	11,311	25,025
Deferred tax	14,064	(67,969)	(48,253)	(16,936)	3,068
Total tax charge for the year/period	27,299	31,494	62,876	(5,625)	28,093

(b) A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit/(loss) before tax	107,697	94,039	123,789	(17,553)	25,970
Tax at the statutory tax rate of 25% in Mainland China	26,924	23,510	30,947	(4,388)	6,492
Effect of tax rate differences in other jurisdictions	184	211	29,320	–	18,987
Preferential tax rates enacted by local authority	(5,729)	144	125	116	2
Expenses not deductible for tax	2,547	3,769	3,908	446	308
Temporary differences and tax losses not recognised	2,588	3,640	1,821	224	1,990
Temporary differences and tax losses utilised from prior periods	–	–	(2,695)	(1,979)	–
Profits and losses attributed to associates	785	220	(550)	(44)	174
Others	–	–	–	–	140
Tax charge at the Group's effective tax rate	27,299	31,494	62,876	(5,625)	28,093
Effective tax rate	25.3%	33.5%	50.8%	32.0%	108.2%

There is no share of tax attributable to associates which is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Dividends paid to non-controlling shareholders	–	23,862	–	–	–

During the year ended 31 December 2020, the subsidiaries of the Group, Linmon Yuexin and Linmon Kaixin, declared and approved dividends of RMB13,022,000 and RMB10,840,000 to their non-controlling shareholders, respectively.

No dividend has been paid or declared by the Company in respect of the Relevant Periods and the three months ended 31 March 2021.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings/(loss) per share information was not presented for the years ended 31 December 2019 and 2020 and for the three months ended 31 March 2021 as the Company was not yet incorporated.

During the year ended 31 December 2021 and the three months ended 31 March 2022, the calculation of the basic earnings/(loss) per share amounts is based on the earnings/(loss) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue. The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, adjusted to reflect fair value changes of convertible and redeemable preferred shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

Earnings/(loss)	**Year ended 31 December 2021** *RMB'000*	**Three months ended 31 March 2022**
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	60,913	(2,123)
Adjustment:		
Fair value changes of convertible and redeemable preferred shares	225,852	70,539
Profit attributable to ordinary equity holders of the parent before fair value changes of convertible and redeemable preferred shares	286,765	68,416

Shares	**Year ended 31 December 2021**	**Three months ended 31 March 2022**
Weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation	99,097,954	175,223,849
Effect of dilution – weighted average number of ordinary shares:		
Share options*	1,573,816	6,405,958
Convertible and redeemable preferred shares*	57,319,914	170,095,680

* No adjustment has been made to the basic loss per share amounts presented for the three months ended 31 March 2022 in respect of a dilution as the impact of the outstanding share options and preferred shares had an anti-dilutive effect on the basic loss per share amounts presented. During the year ended 31 December 2021, the convertible and redeemable preferred shares had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment *RMB'000*	Electronic equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2019				
At 1 January 2019:				
Cost	1,018	2,419	18,090	21,527
Accumulated depreciation	(334)	(1,086)	(7,382)	(8,802)
Net carrying amount	684	1,333	10,708	12,725
At 1 January 2019, net of accumulated depreciation	684	1,333	10,708	12,725
Additions	87	277	650	1,014
Disposals	–	(41)	–	(41)
Depreciation provided during the year *(note 6)*	(193)	(692)	(3,964)	(4,849)
At 31 December 2019, net of accumulated depreciation	578	877	7,394	8,849
At 31 December 2019:				
Cost	1,105	2,486	18,740	22,331
Accumulated depreciation	(527)	(1,609)	(11,346)	(13,482)
Net carrying amount	578	877	7,394	8,849
31 December 2020				
At 1 January 2020:				
Cost	1,105	2,486	18,740	22,331
Accumulated depreciation	(527)	(1,609)	(11,346)	(13,482)
Net carrying amount	578	877	7,394	8,849
At 1 January 2020, net of accumulated depreciation	578	877	7,394	8,849
Additions	24	326	–	350
Disposals	–	(4)	–	(4)
Disposal of subsidiaries *(note 31)*	(99)	(266)	(5,917)	(6,282)
Depreciation provided during the year *(note 6)*	(168)	(339)	(730)	(1,237)
At 31 December 2020, net of accumulated depreciation	335	594	747	1,676
At 31 December 2020:				
Cost	998	2,232	8,325	11,555
Accumulated depreciation	(663)	(1,638)	(7,578)	(9,879)
Net carrying amount	335	594	747	1,676

	Office equipment *RMB'000*	Electronic equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2021				
At 1 January 2021:				
Cost	998	2,232	8,325	11,555
Accumulated depreciation	(663)	(1,638)	(7,578)	(9,879)
Net carrying amount	335	594	747	1,676
At 1 January 2021, net of accumulated depreciation	335	594	747	1,676
Additions	244	1,144	4,262	5,650
Disposals	–	(3)	–	(3)
Depreciation provided during the year *(note 6)*	(166)	(473)	(776)	(1,415)
At 31 December 2021, net of accumulated depreciation	413	1,262	4,233	5,908
At 31 December 2021:				
Cost	1,242	3,287	12,587	17,116
Accumulated depreciation	(829)	(2,025)	(8,354)	(11,208)
Net carrying amount	413	1,262	4,233	5,908
31 March 2022				
At 1 January 2022:				
Cost	1,242	3,287	12,587	17,116
Accumulated depreciation	(829)	(2,025)	(8,354)	(11,208)
Net carrying amount	413	1,262	4,233	5,908
At 1 January 2022, net of accumulated depreciation	413	1,262	4,233	5,908
Additions	60	73	100	233
Depreciation provided during the period *(note 6)*	(24)	(139)	(741)	(904)
At 31 March 2022, net of accumulated depreciation	449	1,196	3,592	5,237
At 31 March 2022:				
Cost	1,302	3,360	12,687	17,349
Accumulated depreciation	(853)	(2,164)	(9,095)	(12,112)
Net carrying amount	449	1,196	3,592	5,237

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms between 3 and 4 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	Office premises
	RMB'000
As at 1 January 2019	36,901
Additions	25,683
Depreciation provided during the year *(note 6)*	(16,226)
As at 31 December 2019 and 1 January 2020	46,358
Depreciation provided during the year *(note 6)*	(14,717)
Decrease as a result of disposal of subsidiaries *(note 31)*	(8,529)
As at 31 December 2020 and 1 January 2021	23,112
Additions	22,334
Depreciation provided during the year *(note 6)*	(16,553)
As at 31 December 2021 and 1 January 2022	28,893
Additions	474
Depreciation provided during the period *(note 6)*	(4,732)
At 31 March 2022	24,635

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			**As at 31 March**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of year/period	35,335	45,908	22,945	28,702
New leases	25,683	–	22,334	474
Decrease as a result of disposal of subsidiaries *(note 31)*	–	(9,700)	–	–
Accretion of interest recognised during the year/period *(note 7)*	1,464	1,418	1,018	200
Payments	(16,574)	(14,681)	(17,595)	(5,607)
Carrying amount at end of year/period	45,908	22,945	28,702	23,769
Analysed into:				
Current portion	15,489	13,090	16,941	14,381
Non-current portion	30,419	9,855	11,761	9,388

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	1,464	1,418	1,018	249	200
Depreciation charge of right-of-use assets	16,226	14,717	16,259	3,594	4,453
Expenses relating to short term leases (included in administrative expenses)	838	479	578	18	557
Total amount recognised in profit or loss	18,528	16,614	17,855	3,861	5,210

* The total amounts of depreciation charge on the right-of-use assets included in "Inventories" for the year of 2021 and the three months ended 31 March 2022 were RMB294,000 and RMB279,000, respectively.

(d) The total cash outflow for leases is disclosed in note 32(c) to the Historical Financial Information.

15. GOODWILL

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
Cost and carrying amount at beginning of year/period	30,418	30,418	–	–
Decrease as a result of disposal of subsidiaries *(note 31)*	–	(30,418)	–	–
Cost and net carrying amount at end of year/period	30,418	–	–	–

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to cash-generating unit, namely Shanghai Mengyang Culture and Artiste Management Co., Ltd. ("Shanghai Mengyang", 上海萌揚文化藝術經紀有限公司) cash-generating unit for impairment testing.

The recoverable amounts of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to the cash flow projections, the terminal growth rate and gross profit margin used to extrapolate the cash flows of the cash-generating unit beyond the five-year period are as follows:

	As at 31 December 2019
Gross profit margin	45%
Terminal growth rate	3%
Pre-tax discount rate	19.81%

Key assumptions used in the value-in-use calculation

The calculation of value in use is based on the following assumptions:

Gross profit margin – Gross profit margin is based on the average gross profit margin achieved in the year immediately before the budget year and is increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rate – the rate reflects management's estimate of the risks specific to the unit.

Terminal growth rate – the rate is based on published industry research.

The values assigned to the key assumptions on gross profit margin, discount rates and growth rates are consistent with management's past experience and external information sources.

As at 31 December 2019, the recoverable amount of Shanghai Mengyang cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB14,120,000.

Decreases in the gross profit margin or rises in the pre-tax discount rate as follows (with other assumptions remaining unchanged) would result in Shanghai Mengyang cash-generating unit's recoverable amount equal to its carrying amount:

	As at 31 December 2019
	Increase/(decrease)
Gross profit margin	(3.77%)
Pre-tax discount rate	4.69%

In the opinion of the directors, except for the above, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount as at 31 December 2019.

16. OTHER INTANGIBLE ASSETS

	Software	Trademarks	Artiste management agreements	Non-compete agreements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019					
At 1 January 2019:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(67)	(132)	(5,091)	(2,500)	(7,790)
Net carrying amount	519	1,151	3,309	2,500	7,479
Cost at 1 January 2019, net of accumulated amortisation	519	1,151	3,309	2,500	7,479
Amortisation provided during the year *(note 6)*	(52)	(132)	(3,055)	(1,500)	(4,739)
At 31 December 2019	467	1,019	254	1,000	2,740
At 31 December 2019:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(119)	(264)	(8,146)	(4,000)	(12,529)
Net carrying amount	467	1,019	254	1,000	2,740
31 December 2020					
At 1 January 2020:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(119)	(264)	(8,146)	(4,000)	(12,529)
Net carrying amount	467	1,019	254	1,000	2,740
Cost at 1 January 2020, net of accumulated amortisation	467	1,019	254	1,000	2,740
Decrease as a result of disposal of a subsidiary *(note 31)*	–	–	–	(750)	(750)
Amortisation provided during the year *(note 6)*	(53)	(132)	(254)	(250)	(689)
At 31 December 2020	414	887	–	–	1,301

	Software	**Trademarks**	**Artiste management agreements**	**Non-compete agreements**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(172)	(396)	(8,400)	(5,000)	(13,968)
Net carrying amount	414	887	–	–	1,301
31 December 2021					
At 1 January 2021:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(172)	(396)	(8,400)	(5,000)	(13,968)
Net carrying amount	414	887	–	–	1,301
Cost at 1 January 2021, net of accumulated amortisation	414	887	–	–	1,301
Additions	2,580	–	–	–	2,580
Disposals	(434)	(52)	–	–	(486)
Amortisation provided during the year *(note 6)*	(504)	(132)	–	–	(636)
At 31 December 2021	2,056	703	–	–	2,759
At 31 December 2021:					
Cost	2,639	1,064	8,400	5,000	17,103
Accumulated amortisation	(583)	(361)	(8,400)	(5,000)	(14,344)
Net carrying amount	2,056	703	–	–	2,759
31 March 2022					
At 1 January 2022:					
Cost	2,639	1,064	8,400	5,000	17,103
Accumulated amortisation	(583)	(361)	(8,400)	(5,000)	(14,344)
Net carrying amount	2,056	703	–	–	2,759

	Software	Trademarks	Artiste management agreements	Non-compete agreements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost at 1 January 2022, net of accumulated amortisation	2,056	703	–	–	2,759
Additions	77	–	–	–	77
Amortisation provided during the period *(note 6)*	(240)	(27)	–	–	(267)
At 31 March 2022	1,893	676	–	–	2,569
At 31 March 2022:					
Cost	2,716	1,064	8,400	5,000	17,180
Accumulated amortisation	(823)	(388)	(8,400)	(5,000)	(14,611)
Net carrying amount	1,893	676	–	–	2,569

17. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	4,573	3,694	5,894	5,199
Goodwill on acquisition	49,196	49,196	49,196	49,196
	53,769	52,890	55,090	54,395

Particulars of the associates are as follows:

Name	Place and date of incorporation and place of business	Nominal value of issued/registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Shanghai Senmeijie Culture Media Co., Ltd.	PRC/Mainland China 28 January 2015	RMB3,000,000	20	Radio and TV programs production and operation services
Beijing Ark Reading Technology Co., Ltd. ("Beijing Ark Reading")	PRC/Mainland China 15 September 2015	RMB1,176,471	20	Online literature platform operation; radio and TV programs production and operation services

The Group's shareholdings in the associates all comprise equity shares held through a consolidated affiliate entity of the Company.

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of the Group's investments in the associates	53,769	52,890	55,090	54,395

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Share of the associates' profit/(loss) for the year/period	(3,140)	(879)	2,200	174	(695)

18. INVENTORIES

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	85,649	95,791	118,664	130,004
Work in progress	739,645	241,131	330,379	222,960
Finished goods	–	–	105,170	154
	825,294	336,922	554,213	353,118

19. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	466,683	279,627	395,050	549,208
Notes receivable	21,433	2,620	28,000	38,900
	488,116	282,247	423,050	588,108
Impairment	(25,998)	(26,488)	(37,468)	(38,013)
	462,118	255,759	385,582	550,095

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Current portion	462,118	255,759	385,582	501,886
Non-current portion	–	–	–	48,209

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 365 days except for one customer to whom two-year credit period is granted, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction dates and net of loss allowance, is as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	7,423	–	284,370	298,352
3 to 6 months	423,663	104,327	–	143,257
6 to 12 months	561	69,529	37,496	33,755
1 to 2 years	8,824	79,283	5,325	5,440
2 to 3 years	214	–	30,391	30,391
	440,685	253,139	357,582	511,195

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	22,238	25,998	26,488	37,468
Decrease as a result of disposal of subsidiaries	–	(44)	–	–
Impairment losses, net *(note 6)*	3,760	534	10,980	545
At end of year/period	25,998	26,488	37,468	38,013

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing and the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided impairment for the defaulted receivables based on the cash flows that the Group expects to receive.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Gross carrying amount *RMB'000*	**Expected credit loss rate**	**Expected credit loss** *RMB'000*
Defaulted receivables	20,741	100.00%	20,741
Other trade receivables aged:			
Current	1,990	0.25%	5
Past due:			
Within 1 year	432,451	0.65%	2,794
Between 1 and 2 years	9,216	4.20%	387
Between 2 and 3 years	302	29.14%	88
Over 3 years	1,983	100.00%	1,983
	466,683	5.57%	25,998

As at 31 December 2020

	Gross carrying amount *RMB'000*	**Expected credit loss rate**	**Expected credit loss** *RMB'000*
Defaulted receivables	20,741	100.00%	20,741
Other trade receivables aged:			
Current	52,210	0.29%	150
Past due:			
Within 1 year	122,517	0.65%	796
Between 1 and 2 years	82,713	4.06%	3,355
Over 3 years	1,446	100.00%	1,446
	279,627	9.47%	26,488

As at 31 December 2021

	Gross carrying amount *RMB'000*	**Expected credit loss rate**	**Expected credit loss** *RMB'000*
Defaulted receivables	66,703	54.44%	36,312
Other trade receivables aged:			
Current	285,195	0.29%	825
Past due:			
Within 1 year	37,656	0.42%	160
Between 1 and 2 years	5,496	3.11%	171
	395,050	9.50%	37,468

As at 31 March 2022

	Gross carrying amount *RMB'000*	**Expected credit loss rate**	**Expected credit loss** *RMB'000*
Defaulted receivables	66,703	54.44%	36,312
Other trade receivables aged:			
Current	318,251	0.29%	933
Past due:			
Within 1 year	158,758	0.38%	598
Between 1 and 2 years	5,496	3.09%	170
	549,208	6.9%	38,013

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB2,860,000, RMB18,000,000, RMB60,756,000 and RMB57,535,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, which were repayable on credit terms similar to those offered to the major customers of the Group.

The Group's notes receivable were all aged within one year and were neither past due nor impaired.

As at 31 December 2019, the Group's trade receivables with an aggregate net carrying value of approximately RMB409,768,000 were pledged to secure the bank loans granted to the Group (note 25).

As at 31 December 2019, 2020 and 2021 and 31 March 2022, notes receivable of RMB21,433,000, RMB2,620,000, RMB28,000,000 and RMB38,900,000, respectively, whose fair values approximate to their carrying values, were classified as financial assets through other comprehensive income under HKFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant during the Relevant Periods.

At 31 December 2020 and 2021 and 31 March 2022, certain notes receivable accepted by banks in Mainland China (the "Discounted Notes") were discounted to the banks in Mainland China with carrying amounts in aggregate of RMB10,000,000, RMB49,431,000 and RMB18,000,000, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Discounted Notes accepted by large and reputable banks with amounts of RMB10,000,000, RMB49,431,000 and RMB18,000,000. The maximum exposure to loss from the Group's Continuing Involvement in the Discounted Notes and the undiscounted cash flows to repurchase these Discounted Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Discounted Notes are not significant. During the years ended 31 December 2020 and 2021 and three months ended 31 March 2021 and 2022, the Group recognised the interest expenses on the Discounted Notes receivable amounting to RMB131,000, RMB953,000, RMB719,000 and RMB365,000, respectively.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	113,848	100,120	124,632	118,970
Tax recoverable	–	–	–	644
Deductible input value-added tax	100,796	84,737	70,046	57,495
Deposits and other receivables	30,248	50,667	7,363	10,719
Deferred [**REDACTED**] expense	–	–	6,886	9,184
Interest receivable	–	8,442	21,775	25,057
Receivables under a co-financing arrangement	–	–	58,497	58,497
Prepaid expenses	13,875	13,258	28,456	4,873
	258,767	257,224	317,655	285,439
Current	188,439	175,047	203,990	208,765
Non-current	70,328	82,177	113,665	76,674

Note:

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Group estimated that the expected loss rate for deposits and other receivables was minimal under the 12-month expected credit loss method.

Included in other receivables are amount due from the Group's related parties of nil, RMB45,426,000, nil and nil as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

The Company

	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*
Deposits and other receivables	190	255
Deferred [**REDACTED**] expense	4,210	5,375
	4,400	5,630

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments, at fair value	48,733	60,511	33,683	35,735
Unlisted debt investments, at fair value	11,600	9,609	7,661	7,492
Investments at fair value through profit or loss	–	–	51,029	50,228
Other unlisted investments, at fair value	542,431	609,734	291,441	180,980
	602,764	679,854	383,814	274,435
Analysed into:				
Current	591,164	670,245	325,124	216,715
Non-current	11,600	9,609	58,690	57,720

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above debt investments are restricted for trade until the contractual period is completed which is in the year of 2026. They were classified as financial assets at fair value through profit or loss as they do not meet equity instrument investment definition and their contractual cash flows are not solely payments of principal and interest.

The above investments at fair value through profit or loss are investment in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The Group maintained significant influence in these companies but in substance had risks and returns different with those of interests in associates.

The above other unlisted investments were wealth management products issued by banks in Mainland China with a maturity period within one year. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND TIME DEPOSITS

The Group

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	322,497	125,254	824,952	1,116,597
Time deposits	–	350,000	350,000	350,000
	322,497	475,254	1,174,952	1,466,597
Less:				
Restricted cash for bank loans	(119,760)	–	–	–
Pledged time deposits with original maturity of three years when acquired	–	–	(150,000)	(150,000)
Non-pledged time deposits with original maturity of three years when acquired	–	(350,000)	(200,000)	(200,000)
Cash and cash equivalents	202,737	125,254	824,952	1,116,597
Denominated in:				
RMB	173,763	112,471	107,179	403,682
USD	28,895	12,783	716,903	712,520
HKD	79	–	870	395
Total cash and cash equivalents	202,737	125,254	824,952	1,116,597

Restricted cash for bank loan represents deposits held in designated bank accounts for issuance of bank loan. The time deposits of RMB150,000,000 as at 31 December 2021 and 31 March 2022 were restricted and pledged for bank facilities.

The Company

	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*
Cash and bank balances	82,520	80,388
Cash and cash equivalents	82,520	80,388
Dominated in		
RMB	10	18
USD	81,640	79,975
HKD	870	395
Total cash and cash equivalents	82,520	80,388

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

	As at 31 December			**As at 31 March**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	57,596	12,216	76,246	46,953

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			**As at 31 March**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	56,153	12,155	74,156	16,925
3 to 6 months	–	–	586	29,389
6 to 12 months	–	13	1,504	639
1 to 2 years	1,443	48	–	–
	57,596	12,216	76,246	46,953

Included in the trade payables were trade payables of nil, nil, RMB1,919,000 and RMB64,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, due to the Group's related parties which were repayable within one year, which represented credit terms similar to those offered by the related parties to their major customers.

The trade payables are non-interest-bearing and are normally settled on terms of 90 to 365 days.

24. OTHER PAYABLES AND ACCRUALS

The Group

		As at 31 December			As at 31 March
		2019	**2020**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	*(a)*	406,638	170,368	654,600	820,132
Financial liabilities under co-investment arrangements	*(b)*	250,599	65,194	88,904	49,573
Other payables	*(c)*	100,612	33,471	18,952	24,503
Provision	*(d)*	–	7,880	8,575	8,748
Other tax payables		1,807	18,683	37,864	21,396
Deferred revenue		16,667	5,387	9,447	1,947
Interest payable		1,299	4,475	–	–
Payroll and welfare payable		7,083	6,377	11,096	8,201
		784,705	311,835	829,438	934,500
Analysed into:					
Current		784,705	311,835	466,669	462,023
Non-current		–	–	362,769	472,477

Notes:

(a) Details of contract liabilities are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Licensing of the broadcasting rights of original drama series	381,509	152,661	634,868	802,452
Others	25,129	17,707	19,732	17,680
Total contract liabilities	406,638	170,368	654,600	820,132

Contract liabilities include advances received from the licensing of broadcasting rights of original drama series and others.

Included in contract liabilities as at 31 December 2021 and 31 March 2022 were amounts of RMB11,657,000 and RMB10,774,000 related to content marketing services to be provided to an investee company held by the Group under investments at fair value through profit or loss.

Included in contract liabilities were advances received from the Group's related parties of RMB212,264,000, nil, RMB294,906,000 and RMB498,679,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

The decrease in contract liabilities as at 31 December 2020 primarily because certain prepayments for drama series received in 2019 were recognised as revenue due to the broadcasting of these drama series in 2020.

The increase in contract liabilities as of 31 December 2021 and 31 March 2022 primarily because the Group received prepayments from customers for purchasing several broadcasting rights of original drama series in 2021 and the three months ended 31 March 2022.

(b) Financial liabilities under co-investment arrangements are for variable return and measured at fair value.

Included in financial liabilities under co-investment arrangements were co-investment received from the Group's related parties of RMB184,018,000, RMB7,313,000, RMB7,367,000 and RMB7,367,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

(c) Other payables are non-interest-bearing and repayable on demand.

(d) The movements for the provision are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	–	7,880	8,575
Additional provision	–	7,880	695	173
At the end of the year/period	–	7,880	8,575	8,748

The provision is mainly attributable to a lawsuit in 2020 in which, a subsidiary of the Group bears joint liabilities to the plantiff.

The Company

	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*
Other payables	1,922	5,979

Other payables are non-interest-bearing and repayable on demand.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	31 December 2019
	(%)		*RMB'000*
Current			
Bank loans – secured *(note a)*	4.35	2020	36,828
Bank loans – secured *(note b)*	4.57	2020	89,091
Bank loans – secured *(note c)*	4.57	2020	50,000
Bank loans – secured *(note d)*	4.80	2020	100,000
Other borrowings – unsecured *(note e)*	33.69	2020	5,600
			281,519
Non-current			
Other borrowings – unsecured *(note e)*	15.00	2021	2,830
			284,349

	Effective interest rate	Maturity	31 December 2020
	(%)		*RMB'000*
Current			
Other borrowings – unsecured *(note e)*	15.00	2021	2,830
Other borrowings – unsecured *(note e)*	11.25	2021	14,400
			17,230

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	275,919	–	–	–
Other borrowings repayable:				
Within one year or on demand	5,600	17,230	–	–
In the second year	2,830	–	–	–
	8,430	17,230	–	–
	284,349	17,230	–	–

Notes:

(a) As at 31 December 2019, trade receivables of RMB154,560,000 were pledged for certain of the Group's bank loans.

(b) As at 31 December 2019, restricted cash of RMB51,875,000 and trade receivables of RMB110,000,000 were pledged for certain of the Group's bank loans, respectively.

(c) As at 31 December 2019, the shareholder, namely Mr. Su Xiao, and his spouse Mrs Gu Jiamin, had guaranteed certain of the Group's bank loans up to RMB450,000,000. In addition, as at 31 December 2019, restricted cash of RMB34,205,000 and trade receivables of RMB12,495,000 were pledged for certain of the Group's bank loans, respectively. The guarantee has been fully released in 2020.

(d) As at 31 December 2019, the shareholder, namely Mr. Su Xiao and his spouse Mrs Gu Jiamin, had guaranteed certain of the Group's bank loans up to RMB300,000,000. In addition, as at 31 December 2019, restricted cash of RMB33,680,000 and trade receivables of RMB132,713,000 were pledged for certain of the Group's bank loans, respectively. The guarantee has been fully released in 2020.

(e) The Group's other borrowings as at 31 December 2019 and 2020 were the financial liabilities received under the co-investment arrangements for fixed return. These borrowings were unsecured and repayable within one or two years.

26. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since 2014, Shanghai Linmon has completed several rounds of financing arrangements by issuing ordinary shares with special rights, including but not limited to redemption rights, liquidation preferences, voting rights and dividend rights (the "Preferred Shares"), details of which are set out as follows:

Preferred Shares	**Date of issuance**	**Purchase price**	**Number of shares**	**Total consideration**
		(RMB/share)		*(RMB'000)*
Series A	9 October 2014	2.09	57,499,194	120,000
Series B1	28 March 2016	7.65	65,340,008	500,000
Series B2*	18 April 2016	7.65	13,068,000	100,000
Series C1	23 March 2018	22.22	22,500,000	500,000
Series C2*	23 March 2018	22.22	7,753,678	172,303
Series C3*	28 February 2020	22.22	3,934,800	87,440

* The consideration for those Preferred Shares was paid to the then ordinary shareholders who transferred their shares in Shanghai Linmon to these investors. The consideration paid to the then ordinary shareholders was treated as deemed distribution to the then ordinary shareholders and debited to capital reserve.

On 5 July 2021, the shareholders of Shanghai Linmon passed resolutions approving, among other matters, the repurchase and cancellation of 2,700,000 ordinary shares of a consideration of RMB24,000,000 and 101,793,600 Preferred Shares of a consideration of RMB1,289,850,000 of Shanghai Linmon collectively held by certain shareholders of Shanghai Linmon (the "Onshore Withdrawn Investors"), respectively, the consideration for which was equivalent to the initial investment amount paid by each Onshore Withdrawn Investor for the subscription of the shares in Shanghai Linmon. The special rights associated with the remaining 68,302,080 preferred shares of Shanghai Linmon held by Tencent Investment were terminated.

On 31 August 2021, 6,534,000 ordinary shares previously issued to Linmon AQ Investment Limited in June 2021 were redesignated as Preferred Shares. The Company also issued 4,500,000 Preferred Shares, 6,534,000 Preferred Shares, 3,934,800 Preferred Shares, 6,534,000 Preferred Shares, 55,756,800 Preferred Shares, 13,500,000 Preferred Shares, 3,824,640 Preferred Shares, 675,360 Preferred Shares and 68,302,080 Preferred Shares to Zhongqing Xinxin Jiahua (Shanghai) Venture Capital Partnership (Limited Partnership), Gongqingcheng Erchen Investment Management Partnership (Limited Partnership), Beijing Jushi Botao Culture and Media Co., Ltd., Mango Ningze Ltd., Great Luminosity Limited, Shanghai Yuyi Enterprise Management Partnership (Limited Partnership), Zhuhai Yuman Enterprise Management Partnership (Limited Partnership), Ningbo Meishan Bonded Zone Qianyi Mutian Equity Investment Partnership (Limited Partnership) and Tencent Mobility Limited, respectively, for a consideration of RMB1,284,991,000.

Significant terms of the newly shares issued above that will impact the accounting treatment of the Company are outlined below (Series B1 and B2 are collectively referred to "Series B", Series C1, C2 and C3 are collectively referred to "Series C"):

Dividend rights

The dividends available for distribution to its members after all taxes are paid shall be distributed among the members, pro rata based on the number of shares held by each holder thereof on an as converted basis.

Liquidation preferences

Liquidation, dissolution or winding up of the Company may occur (i) with a written consents delivered by all Shareholders of the Company; (ii) upon the Company's failure to maintain its operation of business for more than 180 days, with a unanimous written resolution delivered by all shareholders of the Company; (iii) upon the Company's failure to maintain its operation of business for more than 30 days due to any of the Company's substantially main assets, permits or licences being suspended or confiscated by any governmental authorities, with a unanimous written resolution delivered by all shareholders of the Company; or (iv) if any group company or Founder's material breach or violation of the Transaction Documents and/or the Prior Investment Agreements (as defined in the Purchase Agreement) has caused material adverse impact to the group companies and such violation cannot be cured within 30 days after a notice from any of the Main Investors. Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary (each, a "Liquidation Event"), the assets of the Company legally available for distribution to its members (after satisfaction of all creditors' claims and claims that may be preferred by law), or proceeds from any Liquidation Event shall be distributed in the following order of priority:

(1) first, each holder of Series C Preferred Shares shall be entitled to receive, in respect of each Series C Preferred Share held by such holder, pari passu with each other and in preference to distribution in respect of any Series B Preferred Share, Series A Preferred share and ordinary share, an amount (the "Series C Liquidation Preference") equal to the applicable Series C Issue Price (as proportionally adjusted for bonus share issues, share sub-divisions, share combinations, share splits, recapitalisations, reclassification, re-designations or similar events), plus any accumulated but unpaid dividend and any declared but unpaid dividend on such Series C Preferred Share. If the assets of the Company upon such Liquidation Event, or proceeds from such Liquidation Event available for the distribution to its Members, as applicable shall be insufficient to pay the holders of Series C Preferred Shares the full amount to which they shall be entitled, the holders of Series C Preferred Shares shall share rateably in any distribution of the assets and funds of the Company in proportion to the respective amounts which would otherwise be payable in respect to the Series C Preferred Shares held by them upon such distribution if all amounts payable on or with respect to the said shares were paid in full;

(2) thereafter, after the distribution or payment in full of the Series C Liquidation Preference amount for each Series C Preferred Share pursuant to Article 8.2(A)(1) above, each holder of Series B Preferred Shares shall be entitled to receive, in respect of each Series B Preferred Share held by such holder, pari passu with each other and in preference to distribution in respect of any Series A Preferred Share and Ordinary Share, an amount (the "Series B Liquidation Preference") equal the Series B Issue Price (as proportionally adjusted for bonus share issues, share sub-divisions, share combinations, share splits, recapitalisations, reclassification, redesignations or similar events), plus any accumulated but unpaid dividend and any declared but unpaid dividend on such Series B Preferred Shares. If the assets of the Company upon such Liquidation Event, or proceeds from such Liquidation Event available for the distribution to its Members, as applicable shall be insufficient to pay the holders of Series B Preferred Shares the full amount to which they shall be entitled, the holders of Series B Preferred Shares shall share rateably in any distribution of the assets and funds of the Company in proportion to the respective amounts which would otherwise be payable in respect to the Series B Preferred Shares held by them upon such distribution if all amounts payable on or with respect to said shares were paid in full;

(3) thereafter, after the distribution or payment in full of the Series C Liquidation Preference amount for each Series C Preferred Share pursuant to Article 8.2(A)(1) above and the Series B Liquidation Preference amount for each Series B Preferred Share pursuant to Article 8.2(A)(2) above, each holder of Series A Preferred Shares shall be entitled to receive, in respect of each Series A Preferred Share held by such holder, pari passu with each other and in preference to distribution in respect of any Ordinary Shares, an amount (the "Series A Liquidation Preference", together with the Series C Liquidation Preference and Series B Liquidation Preference, the "Liquidation Preference") equal to the sum of (i)

the Series A Issue Price (as proportionally adjusted for bonus share issues, share sub-divisions, share combinations, share splits, recapitalisations, reclassification, re-designations or similar events), (ii) a return at the compound interest rate of eight percent (8%) per annum of the Series A Issue Price from the Series A Issue Date to the date such Series A Liquidation Preference is fully paid, and (iii) any accumulated but unpaid dividend and any declared but unpaid dividend on such Series A Preferred Shares. If the assets of the Company upon such Liquidation Event, or proceeds from such Liquidation Event available for the distribution to its Members, as applicable shall be insufficient to pay the holders of Series A Preferred Shares the full amount to which they shall be entitled, the holders of Series A Preferred Shares shall share rateably in any distribution of the assets and funds of the Company in proportion to the respective amounts which would otherwise be payable in respect to the Series A Preferred Shares held by them upon such distribution if all amounts payable on or with respect to the said shares were paid in full;

(4) after the payment of all preferential amounts required to be paid to the holders of Preferred Shares upon a Liquidation Event pursuant to subsections (1) to (3) of this Liquidation Preferences above, the remaining assets and funds of the Company or proceeds of sale available for distribution to its Members shall be distributed among the holders of Preferred Shares and Ordinary Shares, pro rata based on the number of Ordinary Shares held by each holder thereof on an as converted basis.

"Deemed Liquidation Event" is defined as:

(1) the acquisition of any group company (whether by a sale of equity, merger or consolidation, in one transaction or series of transactions) in which in excess of 50% of such group company's voting power outstanding before such transaction is transferred, or any other transaction resulting in a change of Control of any group company;

(2) the sale, transfer or other disposition of all or substantially all of the assets, business or intellectual properties of any group company (or any series of related transactions resulting in such sale, transfer or other disposition of all or substantially all of the assets, business or Intellectual Property of such group company) or the exclusive licensing of all or substantially all of any group company's intellectual property to a third party; or

(3) a merger, consolidation or other business combination of any group company with or into any other business entity in which the shareholders or the Founders of the Company immediately prior to such merger, consolidation or business combination cease to own, directly or indirectly, in the aggregate at least a majority of the issued and outstanding voting securities of the surviving business entity.

Redemption rights

In the event that the Company has not consummated a qualified [**REDACTED**] on or prior to 31 December 2021, any holder(s) of Series C Preferred Shares (the "Initiating Redeeming Party(ies)") may, upon written request to the Company (the "Redemption Request"), require the Company to redeem all or any portion of the Series C Preferred Shares held by such Initiating Redeeming Party(ies). If a Redemption Request is made by an Initiating Redeeming Party, the Company shall (1) redeem such Series C Preferred Shares held by the Initiating Redeeming Party as the Initiating Redeeming Party has set out in the Redemption Request and (2) unless at least 60% of Series C Preferred Shareholders agree otherwise, not submit its first filing unless and until the redemption closing has been fully consummated in accordance with these provisions.

Notwithstanding any other provisions to the contrary in these articles, the Preferred Shares shall be redeemable at the option of any holder thereof at any time and from time to time on or after the occurrence of any of the following (the "Redeeming Events"):

(i) the failure of the Company to consummate the qualified [**REDACTED**] prior to 31 December 2021;

(ii) any material breach or violation of the Transaction Documents and/or the Prior Investment Agreements (as defined in Purchase Agreement) by any group company or founder party;

(iii) Any violation of laws by the founder parties or the group companies that causes the group companies to lose its requisite licence for principal business, which has a material adverse impact on the group company's business;

(iv) Due to reasons not attributable to the investors, Su Xiao (蘇曉) resigns from the group company or fails to perform his duties for more than three (3) months, and such event cannot be cured;

(v) any non-disclosure or fraud on the facts of the group companies by the group companies or the founder parties; or

(vi) any breach of non-compete obligations by the founders or the key employees.

Upon the later of (i) occurrence of any of the Redeeming Event and (ii) the Investors being aware of the occurrence of any of the Redeeming Event, each investor, may deliver a written notice (the "Redemption Notice") to the founder parties and/or the Company within ninety (90) business days requiring that the founder parties and/or the Company redeem any or all of the then outstanding Preferred Shares of such relevant series held by such investor. The founder parties and/or the Company shall jointly and severally, within sixty (60) days of its receipt of the Redemption Notice from such Investor ("Redemption Date"), redeem the Preferred Shares held by such Investor. The Company and the founder parties shall deliver a written notice to the holder of Series C Preferred Shares within ten (10) business days after the founder parties or the Company receives the redemption notice from any holder of Series B Preferred Shares or Series A Preferred Shares.

Redemption price

(1) If any Redeeming Event occurs prior to 31 December 2021 (inclusive), the redemption price per Series C Preferred Share shall equal to (i) 100% of the Series C Issue Price plus (ii) a return at the compound interest rate of twelve percent (12%) per annum of the Series C Issue Price, or, only with regards to Beijing Jushi Botao Culture and Media Co., Ltd ("Jushi Botao"), a return at a simple interest rate of ten percent (10%) per annum of its corresponding Series C Issue Price, from the Series C Issue Date to the date the Series C Redemption Amount is actually fully paid, and (iii) any declared but unpaid dividend on such Series C Preferred Shares (deduct the dividends that such investor has obtained from the group company);

(2) If any Redeeming Event occurs after 31 December 2021 (exclusive), the redemption price per Series C Preferred Share (together with the price stated in Section 8.5B(1), "Series C Redemption Amount") shall equal to (i) 100% of the Series C Issue Price (as proportionally adjusted for bonus share issues, share subdivisions, share combinations, share splits, recapitalisations, reclassification, re-designations or similar events), plus (ii) a return at a compound interest rate of twelve percent (12%) per annum of the Series C Issue Price (the "Series C Common Redemption Interest"), or, only with regards to Jushi Botao, a simple interest rate of ten percent (10%) per annum of its respective Series C Issue Price (the "Series C Special Redemption Interest" together with Series C Common Redemption Interest, the "Series C Redemption Interest"), from the Series C Issue Date to 31 December 2021, plus (iii) a return at a simple interest rate of twelve percent (12%) per annum of the sum of the Series C Issue Price and Series C Common Redemption Interest, or, only with regards to Jushi Botao, a simple interest rate of ten percent (10%) per annum of the sum of its corresponding Series C Issue Price and Series C Special Redemption Interest, from 31 December 2021 to the date Series C Redemption Amount is actually fully paid, and (iv) any declared but unpaid dividend on such Series C Preferred Shares, (deduct the dividends that such investor has obtained from the group company);

(3) If any Redeeming Event occurs prior to 31 December 2021 (inclusive), the redemption price per Series B Preferred Share shall equal to (i) 100% of the Series B Issue Price, plus (ii) a return at the compound interest rate of twelve percent (12%) per annum of the Series B Issue Price from the Series B Issue Date to the date Series B Redemption Amount is actually fully paid;

(4) If any Redeeming Event occurs after 31 December 2021 (exclusive), the redemption price per Series B Preferred Share shall equal to (i) 100% of the Series B Issue Price, plus (ii) a return at the compound interest rate of twelve percent (12%) per annum of the Series B Issue Price (the "Series B Redemption Interest") from the Series B Issue Date to 31 December 2021, plus (iii) a return at the simple interest rate of twelve percent (12%) per annum of the sum of the Series B Issue Price and Series B Redemption Interest from 31 December 2021 to the date Series B Redemption Amount is actually fully paid, and deduct the dividends that such investor has obtained from the group company;

(5) The redemption price per Series A Preferred Share (the "Series A Redemption Amount", together with the Series C Redemption Amount and the Series B Redemption Amount each a "Redemption Amount") shall equal to (i) 100% of the Series A Issue Price (as proportionally adjusted for bonus share issues, share sub-divisions, share combinations, share splits, recapitalisations, reclassification, re-designations or similar events), plus (ii) a return at the compound interest rate of eight percent (8%) per annum of the Series A Issue Price from the Series A Issue Date to the date Series A Redemption Amount is actually fully paid, and deduct the dividends that such investor has obtained from the group company.

The convertible redeemable preferred shares were classified as non-current liabilities unless the preferred shareholders had the right to demand the Company to redeem the preferred shares within 12 months after the end of the Relevant Periods.

The movements of the Preferred Shares are set out below:

The Group

	Series A	**Series B**	**Series C**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As 1 January 2019	743,833	1,187,093	703,946	2,634,872
Changes in fair value	28,557	43,100	22,267	93,924
As at 31 December 2019 and 1 January 2020	772,390	1,230,193	726,213	2,728,796
Issue of Preferred Shares	–	–	87,440	87,440
Changes in fair value	101,924	113,416	23,836	239,176
As at 31 December 2020 and 1 January 2021	874,314	1,343,609	837,489	3,055,412
Repurchase of Preferred Shares of Shanghai Linmon	(968,992)	(1,414,510)	(800,756)	(3,184,258)
Issue of Preferred Shares of the Company	968,992	1,411,876	798,532	3,179,400
Changes in fair value	145,462	118,872	(38,482)	225,852
As at 31 December 2021 and 1 January 2022	1,019,776	1,459,847	796,783	3,276,406
Changes in fair value	28,104	29,017	13,418	70,539
As at 31 March 2022	1,047,880	1,488,864	810,201	3,346,945

The Company

	Series A	**Series B**	**Series C**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at date of the incorporate on 10 June 2021	–	–	–	–
Issue of Preferred Shares	968,992	1,411,876	798,532	3,179,400
Changes in fair value	50,784	47,971	(1,749)	97,006
As at 31 December 2021 and 1 January 2022	1,019,776	1,459,847	796,783	3,276,406
Changes in fair value	28,104	29,017	13,418	70,539
As at 31 March 2022	1,047,880	1,488,864	810,201	3,346,945

The Group applied the discount cash flow method and back-solve method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

Significant unobservable inputs

	As at 31 December			**As at 31 March**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discount rate	14.00%	13.00%	12.00%	12.00%
Risk-free interest rate	2.74%	2.70%	2.20%	2.14%
Discount for lack of marketability ("DLOM")	14%	11%	7%	6%
Equity volatility	45.57%	49.93%	41.63%	48.11%

The discount rate was estimated by the weighted average cost of capital as of the valuation date. The Group estimated the risk-free interest rate based on the yield of the United States government bond as of the valuation dates with a maturity life equal to the period from the respective valuation dates to the expected liquidation dates. The lack of marketability discount was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. The volatility was estimated based on implied volatility of comparable companies as of the valuation dates. Probability weight under each of the redemption features and liquidation preferences was based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair values of the Preferred Shares on the valuation dates.

Management considered that fair value changes of the Preferred Shares that are attributable to changes of credit risk of these instruments are not material.

Quantitative sensitivity analysis

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1% increase in risk-free rate	(8,664)	(4,412)	(1,388)	(678)
1% decrease in risk-free rate	8,877	4,477	1,400	681
10% increase in equity volatility	5,016	9,030	4,992	3,156
10% decrease in equity volatility	(11,424)	(10,967)	(4,413)	(2,776)
5% increase in DLOM	(155,637)	(168,962)	(174,343)	(176,933)
5% decrease in DLOM	155,637	168,962	174,343	176,933

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of receivables	Impairment of inventories	Lease liabilities	Deferred revenue	Changes in fair value on financial assets at fair value through profit or loss	Losses available for offsetting against future taxable income	Unrealised profit from inter-company transactions	Changes in fair value on financial liabilities at fair value through profit or loss	Changes in fair value on convertible redeemable preferred shares	Equity-settled share award arrangements	Provision	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	4,773	7,839	5,935	34,296	4,928	3,427	12,944	848	335,642	100	–	410,732
Deferred tax credited/(charged) to profit or loss during the year	935	2,719	3,130	(30,129)	(1,969)	629	(12,044)	1,128	23,481	34	–	(12,086)
At 31 December 2019 and 1 January 2020	5,708	10,558	9,065	4,167	2,959	4,056	900	1,976	359,123	134	–	398,646
Deferred tax credited/(charged) to profit or loss during the year	461	13,938	(3,329)	(2,820)	(2,959)	223	(900)	(177)	59,794	119	–	64,350
At 31 December 2020 and 1 January 2021	6,169	24,496	5,736	1,347	–	4,279	–	1,799	418,917	253	–	462,996
Deferred tax charged to equity during the year	–	–	–	–	–	–	–	–	(451,129)	–	–	(451,129)
Deferred tax credited/(charged) to profit or loss during the year	3,095	3,044	770	1,015	3,637	2,296	–	(967)	32,212	1,848	2,144	49,094
At 31 December 2021 and 1 January 2022	9,264	27,540	6,506	2,362	3,637	6,575	–	832	–	2,101	2,144	60,961
Deferred tax credited/(charged) to profit or loss during the period	138	253	(1,024)	(1,875)	(1,449)	(121)	–	(832)	–	704	43	(4,163)
At 31 March 2022	9,402	27,793	5,482	487	2,188	6,454	–	–	–	2,805	2,187	56,798

Deferred tax liabilities

	Changes in fair value on financial assets at fair value through profit or loss	Fair value adjustments arising from acquisition of a subsidiary	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	–	1,452	6,216	7,668
Deferred tax charged/(credited) to profit or loss during the year	–	(1,138)	3,116	1,978
At 31 December 2019 and 1 January 2020	–	314	9,332	9,646
Deferred tax charged/(credited) to profit or loss during the year	62	(126)	(3,555)	(3,619)
Decrease as a result of disposal of subsidiaries *(note 31)*	–	(188)	–	(188)
At 31 December 2020 and 1 January 2021	62	–	5,777	5,839
Deferred tax charged/(credited) to profit or loss during the year	(62)	–	903	841
At 31 December 2021 and 1 January 2022	–	–	6,680	6,680
Deferred tax credited to profit or loss during the period	–	–	(1,095)	(1,095)
At 31 March 2022	–	–	5,585	5,585

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	389,000	457,157	54,281	51,213

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deductible temporary differences	87,272	97,180	87,272	90,988
Tax losses	25,032	15,915	24,705	29,376
	112,304	113,095	111,977	120,364

The Group has tax losses arising in Mainland China of RMB25,032,000, RMB15,915,000, RMB17,715,000 and RMB21,070,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Hong Kong of RMB6,990,000 and RMB8,306,000 as at 31 December 2021 and 31 March 2022, that will be available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future, taking into account of the Group's operations and expansion plan.

28. SHARE CAPITAL

The Group and the Company

	As at 31 December 2021	As at 31 March 2022
	US$'000	*US$'000*
Authorised:		
1,829,904,320 shares of US$0.000025 each	46	46
57,499,194 Series A Preferred Shares of US$0.000025 each	1	1
78,408,008 Series B Preferred Shares of US$0.000025 each	2	2
34,188,478 Series C Preferred Shares of US$0.000025 each	1	1
2,000,000,000 shares of US$0.000025 each	50	50

Issued:

	Number of ordinary shares	Nominal value of ordinary shares		Number of preferred shares	Nominal value of preferred shares	
		USD	*RMB'000*		*USD*	*RMB'000*
At 10 June 2021 (date of incorporation)	–	–	–	–	–	–
Issue of ordinary shares on 10 June 2021	180,407,849	4,510	29	–	–	–
Ordinary shares redesignated as preferred shares	(6,534,000)	(163)	(1)	6,534,000	163	1
Issue of ordinary shares on 31 August 2021	1,350,000	34	–	–	–	–
Issue of preferred shares on 31 August 2021	–	–	–	163,561,680	4,089	26
At 31 December 2021 and 31 March 2022	175,223,849	4,381	28	170,095,680	4,252	27

On 10 June 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial share capital of the Company was US$50,000 divided into a total of 2,000,000,000 authorised shares with a par value of US$0.000025 each. On the same day, one subscriber share of the Company was allotted and issued to Osiris International Cayman Limited, the initial subscriber and an independent third party, which then transferred such share to Lemontree Harvest. The Company also issued 71,136,000 Ordinary Shares, 33,014,520 Ordinary Shares, 33,014,520 Ordinary Shares, 22,617,000 Ordinary Shares and 12,741,809 Ordinary Shares to Lemontree Harvest, Faye Free, A&O Investment, Linmon Run and Lemontree Friendship, respectively.

After that, the Company issued 675,000 Ordinary Shares and 7,209,000 Ordinary Shares to Linmon Dessin and Linmon AQ for considerations of RMB6,013,000 and RMB6,000,000, respectively. On 31 August 2021, 6,534,000 Ordinary Shares held by Linmon AQ were redesignated as Preferred Shares (note 26). On the same day, the Company issued 1,350,000 ordinary shares to Beijing Magic Flower Culture for a consideration of RMB11,970,000. The excess of the consideration paid by shareholders over the par value in the amount of RMB23,983,000 was credited to the share premium.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group, deemed distribution to the then shareholders and the reserves resulting from transactions with non-controlling interests, details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

On 18 June 2020, Shanghai Linmon acquired 30% minority interests in Shanghai Linmon Kaixin with nil consideration, and capital reserve of RMB514,000 was recorded.

On 22 September 2020, Shanghai Linmon acquired 20% minority interests in Shanghai Linmon Yuexin with nil consideration, and capital reserve of RMB675,000 was recognised.

Share award reserve

The Company reserved some shares for the purpose of providing incentives and rewards to certain eligible employees and suppliers for the growth and development of the Group. The eligible employees and suppliers include any employee and suppliers of the Company or any subsidiaries. The share award reserve comprises the reserve arising from equity-settled share awards.

30. SHARE AWARD

Restricted Shares Scheme

Shanghai Linmon has adopted a Restricted Shares Scheme ("the Scheme") to recognise and reward the contribution of certain eligible suppliers and employees to the growth and development of the Group and to give them incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group through an award of Shanghai Linmon's shares. The Group granted shares of Shanghai Linmon under the Scheme through four share-based payment incentive platforms, Shanghai Guanhong Enterprise Management Consulting Center (Limited Partnership) ("Shanghai Guanhong"), Shanghai Guanhan Enterprise Management Consulting Partnership (Limited Partnership) ("Shanghai Guanhan"), Shanghai Guoshi Investment Management Center (Limited Partnership) ("Shanghai Guoshi") and Shanghai Guoyun Enterprise Management Consulting Partnership (Limited Partnership) ("Shanghai Guoyun").

On 15 December 2015, Shanghai Guanhong (the "Shanghai Linmon ESOP CO. I") subscribed for 3% equity interest in Shanghai Linmon. The purpose to establish the Shanghai Linmon ESOP CO. I was to reserve equity interests for future employee incentive plans.

On 31 December 2015, 23.40% equity interests in Shanghai Linmon ESOP CO. I were granted to 21 selected employees for a consideration of RMB3,829,000. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.

On 6 March 2017, the shareholders' of Shanghai Linmon passed resolutions approving Shanghai Guoyun (the "Shanghai Linmon ESOP CO. II") and Shanghai Guanhan (the "Shanghai Linmon ESOP CO. III") to subscribe for 1.2% and 2% equity interest in Shanghai Linmon, respectively. The purpose to establish the Shanghai Linmon ESOP CO. II and Shanghai Linmon ESOP CO. III was to reserve an equity interest for future supplier and employee incentive plans, respectively.

On 10 March 2017, 16.40% equity interests in Shanghai Linmon ESOP CO. II were granted to 1 selected supplier, for a consideration of RMB5,165,000. There is a performance target required which is to provide five original scripts in five years or longer.

On 1 July 2020, 5.75% equity interests in Shanghai Linmon ESOP CO. III were granted to 1 selected employee, for a consideration of RMB4,360,000. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.

The fair values of the restricted shares granted were estimated as at the grant date or service date by using discounted cash flow method and back-solve method, as well as equity allocation based on option pricing model, taking into account the terms and conditions upon which the restricted shares were granted. The share award expenses are charged to the profit or loss over the vesting periods on a straight-line basis.

The Scheme was terminated in September 2021 and replaced by the Pre-[**REDACTED**] Share Option Scheme adopted by the Company as set out below.

Pre-[REDACTED] Share Option Scheme

The Company has adopted a Pre-[**REDACTED**] Share Option Scheme ("the Option Scheme") to recognise and reward the contribution of certain eligible suppliers and employees to the growth and development of the Group and to give them incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. The Group granted share options of the Company under the Option Scheme.

In September 2021, the restricted shares owned by the eligible participants under the Scheme were cancelled and replaced by 6,020,041 of share options granted by the Company under the Option Scheme with the same exercise price as the consideration paid for the restricted shares under the Scheme. The cancellation and replacement were accounted for as modifications in accordance with HKFRS 2, with any incremental costs on the modification date recognised over the remaining vesting period of the replacement award.

On 28 September 2021, 1 January 2022, 14 March 2022 and 21 March 2022, the Company granted share options with the following vesting terms (share options shall vest in equal annually instalments) and there is no performance target required except that the eligible participant remains in service for the Group during the vesting period. The exercise price of the share options is various with each person and share plan.

Participants	**Date of grant**	**Number of options**	**Vesting period**	**Exercise price** *(RMB)*
Supplier	28 September 2021	498,420	48 months from the start date	0.00016
Supplier	28 September 2021	222,099	48 months from the start date	11.1111
Employee	28 September 2021	5,674,394	24 to 48 months from the start date	11.1111
Employee	1 January 2022	283,500	48 months from the start date	11.1111
Employee	14 March 2022	75,600	48 months from the start date	11.1111
Employee	21 March 2022	202,500	48 months from the start date	11.1111

The share options granted and outstanding share options during the Relevant Periods are as follows:

	Year ended 31 December 2021	
	Weighted average exercise price *RMB/share*	**Number of options**
Outstanding as at 1 January 2021	–	–
Replacement during the year	7.2339	6,020,041
Granted during the year	10.2451	6,394,913
Forfeiture during the year	11.1111	(57,633)
Outstanding as at end of year	8.7741	12,357,321

	Three months ended 31 March 2022	
	Weighted average exercise price *RMB/share*	**Number of options**
Outstanding as at 1 January 2022	8.7741	12,357,321
Granted during the period	11.1111	561,600
Forfeiture during the period	11.1111	(71,889)
Outstanding as at end of period	8.8632	12,847,032

The fair value of equity-settled share options granted to suppliers and employees during 2021 was estimated as at the date of receipt or grant using a binomial model, respectively, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Year ended 31 December 2021	**Three months ended 31 March 2022**
Expected volatility (%)	48.51-48.78	48.68-49.29
Risk-free interest rate (%)	2.78-2.88	2.78-2.82
Expected life of options (years)	9.74-10	9.49-10
Weighted average share price (RMB)	16.58-17.18	17.18-17.93
Forfeiture rate (%)	0-25	0-25

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the Group recorded share awards for employees of RMB134,000, RMB477,000, RMB7,389,000, RMB205,000 and RMB6,612,000, respectively and share awards for suppliers of RMB353,000, RMB195,000, RMB1,915,000, RMB8,000 and RMB1,625,000, respectively. The share awards for employees and suppliers were recognised in expenses and inventories, respectively.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 12,847,032 additional ordinary shares of the Company and additional share capital of RMB113,866,000 (before issue expenses).

31. DISPOSAL OF SUBSIDIARIES

The entire 50% equity interests in Shanghai Mengyang together with its subsidiary, Beijing Guoqiang Zhongxing Education Consulting Co. Ltd. (北京國強中星教育諮詢有限公司) were transferred to a third party for a consideration of RMB37,922,000 on 26 February 2020. Shanghai Mengyang was regarded as a subsidiary of the Group as the Group was granted 60% voting rights in the shareholder's meeting which gave the Group the power to direct the relevant activities of Shanghai Mengyang.

	Notes	*RMB'000*
Property, plant and equipment	*13*	6,282
Other intangible assets	*16*	750
Right-of-use assets	*14(a)*	8,529
Goodwill	*15*	30,418
Inventories		1,487
Prepayments, other receivables and other assets		13,991
Cash and cash equivalents		42,375
Trade receivables		12,241
Trade payables		(79,869)
Other payables and accruals		(286)
Tax payable		(1,131)
Lease liability	*14(b)*	(9,700)
Deferred tax liabilities	*27*	(188)
Non-controlling interests		12,536
		37,435
Gain on disposal of subsidiaries	*5*	487
Satisfied by cash		37,922

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	37,922
Cash and cash equivalents disposed of	(42,375)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(4,453)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB25,683,000, nil, RMB22,334,000, RMB1,477,000 and RMB474,000, respectively, in respect of lease arrangements for office premises.

During the year ended 31 December 2021, the Group had non-cash additions to investments at fair value through profit or loss of RMB13,322,000, to exchange its content marketing service in future which was recorded as contract liabilities.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings *RMB'000*	**Interest payable** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	364,749	14,084	35,335	414,168
Changes from financing cash flows	(80,400)	(32,767)	(16,574)	(129,741)
New leases	–	–	25,683	25,683
Interest accrued	–	19,982	1,464	21,446
At 31 December 2019 and 1 January 2020	284,349	1,299	45,908	331,556
Disposal of subsidiaries	–	–	(9,700)	(9,700)
Changes from financing cash flows	(267,119)	(7,695)	(14,681)	(289,495)
Changes from operating cash flows	–	(131)	–	(131)
Interest accrued	–	11,002	1,418	12,420
At 31 December 2020 and 1 January 2021	17,230	4,475	22,945	44,650
Changes from financing cash flows	(17,230)	(8,301)	(17,595)	(43,126)
New leases	–	–	22,334	22,334
Interest accrued	–	3,826	1,018	4,844

	Interest-bearing bank and other borrowings	Interest payable	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021 and 1 January 2022	–	–	28,702	28,702
Changes from financing cash flows	–	(365)	(5,607)	(5,972)
New leases	–	–	474	474
Interest accrued	–	365	200	565
At 31 March 2022	–	–	23,769	23,769
At 31 December 2020 and 1 January 2021	17,230	4,475	22,945	44,650
Changes from financing cash flows	(14,400)	(719)	(4,491)	(19,610)
New leases	–	–	1,477	1,477
Interest accrued	–	719	249	968
At 31 March 2021 (unaudited)	2,830	4,475	20,180	27,485

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Within operating activities	838	479	578	18	557
Within financing activities	16,574	14,681	17,595	4,491	5,607
	17,412	15,160	18,173	4,509	6,164

33. COMMITMENTS

The Group had the following commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
The co-investment arrangements	–	68,827	–	–

34. RELATED PARTY TRANSACTIONS

Details of the Company's related parties are as follows:

Name	Relationship with the Company
Mr. Su Xiao	Shareholder
Mr. Zhou Yuan	Shareholder
Ms. Chen Fei	Shareholder
Ms. Xu Xiao'ou	Shareholder
Ms. Cai Di	Director of a subsidiary
Shenzhen Tencent Industry Investment Fund Co., Ltd. ("Tencent Investment")	Shareholder
Beijing Ark Reading Technology Co., Ltd. ("Ark Reading")	Associate Company
Tencent Film Culture Co., Ltd ("Tencent Pictures")	An entity related to a shareholder
Shenzhen Tencent Computer Systems Company Limited ("Tencent Computer")	An entity related to a shareholder
Shanghai Tencent Penguin Film Culture Co., Ltd ("Tencent Qie")	An entity related to a shareholder
Shenzhen Tencent Culture Media Co., Ltd ("Tencent Culture")	An entity related to a shareholder
Tencent Technology (Beijing) Co., Ltd. ("Tencent Tech")	An entity related to a shareholder
Tencent Music Entertainment Technology (Shenzhen) Co., Ltd ("Tencent Music")	An entity related to a shareholder
Xiaoxiang Academy (Tianjin) Culture Development Co., Ltd. ("Xiaoxiang Academy")	An entity related to a shareholder
Beijing Jinjiang Original Networking Technology Co., Ltd. ("Jinjiang Original")	An entity related to a shareholder

(a) The Group had the following transactions with related parties during the Relevant Periods and the three months ended 31 March 2021:

		Year ended 31 December			Three months ended 31 March	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Sales of goods to:						
Tencent Pictures	*(i)*	–	–	–	–	–
Tencent Computer	*(i)*	4,075	46,555	–	–	–
Tencent Tech	*(i)*	–	416,816	180,660	9,434	73,962
Tencent Culture	*(i)*	–	472	–	–	–
Tencent Music	*(i)*	–	2,830	1,981	–	–
		4,075	466,673	182,641	9,434	73,962
Provide of services to:						
Tencent Computer	*(i)*	330	–	94	–	–
Tencent Qie	*(i)*	75,450	–	28,190	–	–
Tencent Tech	*(i)*	91	–	472	–	264
		75,871	–	28,756	–	264
Purchases of goods:						
Tencent Qie	*(ii)*	–	–	6,033	–	–
Ark Reading	*(ii)*	1,415	1,321	6,368	1,132	–
Xiaoxiang Academy	*(ii)*	2,453	–	–	–	–
Tencent Music	*(ii)*	–	–	472	–	–
Jinjiang original	*(ii)*	5,896	5,057	5,749	3,019	–
		9,764	6,378	18,622	4,151	–
Amount received for a co-investment arrangement:						
Tencent Computer		8,798	–	–	–	–

Notes:

(i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.

(b) Outstanding balances with related parties:

The Group

(i) Trade receivables

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tencent Music	–	–	300	150
Tencent Computer	350	18,000	–	–
Tencent Tech	–	–	43,400	42,280
Tencent Qie	2,510	–	17,056	15,105
	2,860	18,000	60,756	57,535

(ii) Trade payables

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tencent Qie	–	–	1,919	64

(iii) Contract liabilities

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tencent Tech	212,264	–	294,906	498,679

(iv) Financial liabilities under co-investment arrangements

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tencent Computer	184,018	7,313	7,367	7,367

Tencent Computer, as a co-investor, was not entitled to any shares of copyrights in drama series it invested under the co-investment arrangements. The Group is obligated to share the licensing revenue with Tencent Computer based on the respective investment ratios and the amounts received from Tencent Computer are recognised as financial liabilities which are measured at fair value.

The above balances with related parties are trade in nature.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	10,191	9,874	10,050	2,508	4,175
Equity-settled share award expenses	–	–	431	–	427
Pension scheme contributions	230	20	285	65	75
Total compensation paid to key management personnel	10,421	9,894	10,766	2,573	4,677

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

Financial asset at amortised cost

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	440,685	253,139	357,582	511,195
Financial assets included in prepayments, other receivables and other assets	30,248	59,109	29,138	35,776
Restricted cash	119,760	–	–	–
Time deposits	–	350,000	350,000	350,000
Cash and cash equivalents	202,737	125,254	824,952	1,116,597
	793,430	787,502	1,561,672	2,013,568

Financial assets at fair value through profit or loss

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets under co-financing arrangements	–	–	58,497	58,497
Financial assets at fair value through profit or loss				
– Mandatorily designated as such	11,600	9,609	58,690	57,720
– Designated as such upon initial recognition	591,164	670,245	325,124	216,715
	602,764	679,854	442,311	332,932

Financial assets at fair value through other comprehensive income

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	21,433	2,620	28,000	38,900

The Company

Financial asset at amortised cost

	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*
Financial assets included in prepayments, other receivables and other assets	28	28
Cash and cash equivalents	82,520	80,388
	82,548	80,416

The Group

Financial liabilities at amortised cost

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	57,596	12,216	76,246	46,953
Lease liabilities	45,908	22,945	28,702	23,769
Interest-bearing bank and other borrowings	284,349	17,230	–	–
Financial liabilities included in other payables and accruals	101,911	37,946	18,952	24,503
	489,764	90,337	123,900	95,225

Financial liabilities at fair value through profit or loss (mandatorily designated as such)

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	2,728,796	3,055,412	3,276,406	3,346,945
Financial liabilities under co-investment arrangements included in other payables and accruals	250,599	65,194	88,904	49,573
	2,979,395	3,120,606	3,365,310	3,396,518

The Company

Financial liabilities at amortised cost

	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals	1,922	5,979

Financial liabilities at fair value through profit or loss (mandatorily designated as such)

	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*
Convertible redeemable preferred shares	3,276,406	3,346,945

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits, trade and notes receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of lease liabilities and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities and interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant. The fair value of convertible redeemable preferred shares and investment in associates recorded at fair value through profit or loss is estimated by the market approach and equity allocation model. The fair value of financial assets under co-financing arrangements and liabilities under co-investment arrangements is estimated by discounted cash flow valuation model based on the expected return rates of instruments with similar terms and risks.

The fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortization ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The fair values of unlisted debt investments designated at fair value through profit or loss have been estimated using an asset-based valuation technique.

The Group has unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the notes receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at the end of each of the Relevant Periods have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within one year, and thus their fair values approximate to their carrying values.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019, 2020 and 2021 and 31 March 2022:

As at 31 December 2019

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	13%-15%	5% increase/ decrease in discount would result in decrease/ increase in fair value by 5.7%
Financial liabilities under co-investment arrangements	Discounted cash flows method	Expected rate of return	13%	1% increase/ decrease in expected rate would result in decrease/ increase in fair value by 0.1%

As at 31 December 2020

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	13%-14%	5% increase/ decrease in discount would result in decrease/ increase in fair value by 5.7%
Financial liabilities under co-investment arrangements	Discounted cash flows method	Expected rate of return	12%	1% increase/ decrease in expected rate would result in decrease/ increase in fair value by 0.3%

As at 31 December 2021

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	19%-21%	5% increase/ decrease in discount would result in decrease/ increase in fair value by 6.0%
Financial liabilities under co-financing arrangements	Discounted cash flows method	Expected rate of return	11%	1% increase/ decrease in expected rate would result in decrease/ increase in fair value by 0.5%
Financial liabilities under co-investment arrangements	Discounted cash flows method	Expected rate of return	11%	1% increase/ decrease in expected rate would result in decrease/ increase in fair value by 0.5%

As at 31 March 2022

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	19%-21%	5% increase/ decrease in discount would result in decrease/ increase in fair value by 5.8%
Financial assets under co-financing arrangements	Discounted cash flows method	Expected rate of return	11%	1% increase/ decrease in expected rate would result in decrease/ increase in fair value by 0.6%
Financial liabilities under co-investment arrangements	Discounted cash flows method	Expected rate of return	11%	1% increase/ decrease in expected rate would result in decrease/ increase in fair value by 0.4%

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments. The expected rate of return is based on the management estimation that market participants would take into account when negotiating the co-investments and co-financing arrangements.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	21,433	–	21,433
Financial assets at fair value through profit or loss	–	542,431	60,333	602,764
	–	563,864	60,333	624,197

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	2,620	–	2,620
Financial assets at fair value through profit or loss	–	609,734	70,120	679,854
	–	612,354	70,120	682,474

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	28,000	–	28,000
Financial assets under co-financing arrangements	–	–	58,497	58,497
Financial assets at fair value through profit or loss	–	291,441	92,373	383,814
	–	319,441	150,870	470,311

As at 31 March 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	38,900	–	38,900
Financial assets under co-financing arrangements	–	–	58,497	58,497
Financial assets at fair value through profit or loss	–	180,980	93,455	274,435
	–	219,880	151,952	371,832

The movements in fair value measurements within Level 3 during Relevant Periods are as follows:

	As at 31 December			**As at 31 March**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
At beginning of the year/period	42,104	60,333	70,120	92,373
Total gains recognised in the statement of profit or loss	6,629	9,787	2,473	1,082
Purchases	11,600	–	54,090	–
Disposals	–	–	(34,310)	–
At end of the year/period	60,333	70,120	92,373	93,455

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets under co-financing arrangements				
At beginning of the year/period	–	–	–	–
Total gains recognised in revenue	–	–	47,589	58,497
Output VAT	–	–	2,851	–
Purchases	–	–	60,000	–
Settlements	–	–	(51,943)	–
At end of the year/period	–	–	58,497	58,497

Liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	–	–	2,728,796	2,728,796
Financial liabilities under co-investment arrangements	–	–	250,599	250,599
	–	–	2,979,395	2,979,395

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	–	–	3,055,412	3,055,412
Financial liabilities under co-investment arrangements	–	–	65,194	65,194
	–	–	3,120,606	3,120,606

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	–	–	3,276,406	3,276,406
Financial liabilities under co-investment arrangements	–	–	88,904	88,904
	–	–	3,365,310	3,365,310

As at 31 March 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	–	–	3,346,945	3,346,945
Financial liabilities under co-investment arrangements	–	–	49,573	49,573
	–	–	3,396,518	3,396,518

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities under co-investment arrangements				
At beginning of the year/period	171,286	250,599	65,194	88,904
Total losses recognised in the statement of profit or loss	7,283	13,699	39,261	–
Investments	64,624	25,000	40,000	–
Settlements	7,406	(224,104)	(55,551)	(39,331)
At end of the year/period	250,599	65,194	88,904	49,573

The changes in Level 3 instruments of convertible redeemable preferred shares and a summary of significant unobservable inputs to the valuation of these financial instruments together with a quantitative sensitivity analysis for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022, are presented in note 26 to the Historical Financial Information.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets included in prepayments, other receivables and other assets, interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals, restricted cash, time deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging as at 31 December 2019, 2020 and 2021 and 31 March 2022

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	466,683	466,683
Notes receivable**	21,433	–	–	–	21,433
Financial assets included in prepayments, other receivables and other assets					
– Normal**	30,248	–	–	–	30,248
Restricted cash					
– Not yet past due	119,760	–	–	–	119,760
Cash and cash equivalents					
– Not yet past due	202,737	–	–	–	202,737
	374,178	–	–	466,683	840,861

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	279,627	279,627
Notes receivable**	2,620	–	–	–	2,620
Financial assets included in prepayments, other receivables and other assets					
– Normal**	59,109	–	–	–	59,109
Time deposits					
– Not yet past due	350,000	–	–	–	350,000
Cash and cash equivalents					
– Not yet past due	125,254	–	–	–	125,254
	536,983	–	–	279,627	816,610

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	395,050	395,050
Notes receivable**	28,000	–	–	–	28,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	29,138	–	–	–	29,138
Time deposits					
– Not yet past due	350,000	–	–	–	350,000
Cash and cash equivalents					
– Not yet past due	824,952	–	–	–	824,952
	1,232,090	–	–	395,050	1,627,140

As at 31 March 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	549,208	549,208
Notes receivable**	38,900	–	–	–	38,900
Financial assets included in prepayments, other receivables and other assets					
– Normal**	35,776	–	–	–	35,776
Time deposits					
– Not yet past due	350,000	–	–	–	350,000
Cash and cash equivalents					
– Not yet past due	1,116,597	–	–	–	1,116,597
	1,541,273	–	–	549,208	2,090,481

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

** The credit quality of notes receivable and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. The Group had certain concentrations of credit risk. As at 31 December 2019, 2020 and 2021 and 31 March 2022, 33%, 30%, 27% and 19% of the Group's trade receivables were due from the Group's largest debtor, respectively, and 93%, 88%, 82% and 64% of the Group's trade receivables were due from the Group's five largest debtors, respectively.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2019					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to less than 12 months** *RMB'000*	**1 to 3 years** *RMB'000*	**Over 3 years** *RMB'000*	**Total** *RMB'000*
Interest-bearing bank and other borrowings	–	91,936	195,864	3,042	–	290,842
Trade payables	1,443	56,153	–	–	–	57,596
Lease liabilities	–	4,602	13,806	31,643	–	50,051
Financial liabilities under co-investment arrangements	178,072	–	74,312	4,761	–	257,145
Financial liabilities included in other payables and accruals	101,911	–	–	–	–	101,911
	281,426	152,691	283,982	39,446	–	757,545

	31 December 2020					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to less than 12 months** *RMB'000*	**1 to 3 years** *RMB'000*	**Over 3 years** *RMB'000*	**Total** *RMB'000*
Interest-bearing bank and other borrowings	17,230	–	–	–	–	17,230
Trade payables	61	12,155	–	–	–	12,216
Lease liabilities	–	3,783	10,853	9,942	–	24,578
Financial liabilities under co-investment arrangements	32,996	–	34,834	–	–	67,830
Financial liabilities included in other payables and accruals	37,946	–	–	–	–	37,946
	88,233	15,938	45,687	9,942	–	159,800

	31 December 2021					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,090	74,156	–	–	–	76,246
Lease liabilities	–	5,236	13,087	12,101	–	30,424
Financial liabilities under co-investment arrangements*	18,021	67,359	3,524	–	–	88,904
Financial liabilities included in other payables and accruals	18,952	–	–	–	–	18,952
	39,063	146,751	16,611	12,101	–	214,526

	31 March 2022					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	30,028	16,925	–	–	–	46,953
Lease liabilities	–	3,894	11,320	9,605	–	24,819
Financial liabilities under co-investment arrangements	46,047	3,526	–	–	–	49,573
Financial liabilities included in other payables and accruals	24,503	–	–	–	–	24,503
	100,578	24,345	11,320	9,605	–	145,848

* The contractual undiscounted payments of financial liabilities under co-investment arrangements are based on the expected settlement amounts.

Details of the description of convertible redeemable preferred shares are included in note 26 to the Historical Financial Information.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt to equity ratio, which is net debt divided by total equity multiplied by 100% as at the date indicated. Net debt includes lease liabilities, interest-bearing bank and other borrowings, trade payables and other payables and accruals less time deposits and cash and cash equivalents. Capital represents total equity of the Group. The debt to equity ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	284,349	17,230	–	–
Trade payables	57,596	12,216	76,246	46,953
Lease liabilities	45,908	22,945	28,702	23,769
Other payables and accruals	784,705	311,835	829,438	934,500
Less: time deposits	–	(350,000)	(350,000)	(350,000)
Less: cash and cash equivalents	(202,737)	(125,254)	(824,952)	(1,116,597)
Net debt/(cash)	969,821	(111,028)	(240,566)	(461,375)
Total equity	(906,030)	(941,579)	(1,322,480)	(1,316,366)
Debt to equity ratio	N/A	12%	18%	35%

38. EVENTS AFTER THE RELEVANT PERIODS

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Relevant Periods.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2022.