The following is the text of a report set out on pages I-[1] to I-[3], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountant's Report on Historical Financial Information in Investments Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YH ENTERTAINMENT GROUP AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED

Introduction

We report on the historical financial information of YH Entertainment Group (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[106], which comprises the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and September 30, 2022, and the Company's statements of financial position as at December 31, 2021 and September 30, 2022 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") 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-[106] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [ ] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 Investments Circular Reporting Engagements 200, *Accountant's Report on Historical Financial Information in Investments 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 accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information 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 accountant's report, a true and fair view of the financial position of the Company as at December 31, 2021 and September 30, 2022, the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and September 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board("IAASB") . 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 International 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 Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 13 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("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 COMPREHENSIVE INCOME

	Note	Year ended December 31,			Nine months ended September 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	631,436	922,042	1,290,449	895,127	752,629
Cost of revenue	7	(351,932)	(429,060)	(688,490)	(467,326)	(451,706)
Gross profit		279,504	492,982	601,959	427,801	300,923
Selling and marketing expenses	7	(23,359)	(30,823)	(34,523)	(22,882)	(20,633)
General and administrative expenses	7	(39,406)	(44,081)	(71,530)	(46,317)	(73,033)
Net impairment losses on financial assets	3.1(b)	(1,374)	(8,954)	(3,296)	(776)	(3,687)
Other income	8	3,778	7,303	18,420	17,545	3,210
Other (losses)/gains, net	9	(39,996)	(18,522)	(5,889)	(12,827)	6,275
Operating profit		179,147	397,905	505,141	362,544	213,055
Finance income	11	1,222	3,693	5,215	3,010	4,506
Finance costs	11	(1,921)	(6,366)	(42,749)	(31,792)	(5,382)
Finance costs, net		(699)	(2,673)	(37,534)	(28,782)	(876)
Share of losses of investments accounted for using the equity method	19	(9,217)	(2,697)	(6,568)	(6,261)	(1,795)
Fair value changes of convertible preferred shares	33	—	—	—	—	1,204,024
Profit before income tax		169,231	392,535	461,039	327,501	1,414,408
Income tax expense	12	(49,898)	(100,589)	(125,707)	(90,776)	(69,743)
Profit for the year/period		119,333	291,946	335,332	236,725	1,344,665
Other comprehensive (loss)/income, net of tax						
Items that may be reclassified to profit or loss						
Currency translation differences		(420)	1,268	(6,642)	(4,788)	(2,346)
Items that will not be reclassified to profit or loss						
Currency translation differences		—	—	—	—	(141,488)
Total comprehensive income for the year/period		118,913	293,214	328,690	231,937	1,200,831
Profit attributable to:						
Owners of the Company		119,023	291,370	336,684	235,556	1,343,941
Non-controlling interests		310	576	(1,352)	1,169	724
		119,333	291,946	335,332	236,725	1,344,665
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)	14					
Basic		1.66	4.07	4.71	3.29	18.79
Diluted		1.08	2.68	3.43	2.41	1.30
Total comprehensive income attributable to:						
Owners of the Company		118,603	292,627	329,978	230,839	1,200,311
Non-controlling interests		310	587	(1,288)	1,098	520
		118,913	293,214	328,690	231,937	1,200,831

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,			As at September 30,
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	105,741	106,448	103,645	94,909
Right-of-use assets	17	12,108	16,683	12,221	10,533
Investment properties	16	16,292	15,993	14,112	12,944
Intangible assets	18	9,495	7,669	5,843	4,534
Investments accounted for using the equity method	19	43,014	46,081	39,076	15,545
Financial assets at fair value through profit or loss	21	—	800	2,800	46,167
Prepayments and other receivables	23	2,446	3,694	2,158	1,123
Deferred income tax assets	28	1,192	2,842	3,103	3,669
		190,288	200,210	182,958	189,424
Current assets					
Inventories	22	2,096	1,108	1,132	4,130
Trade receivables	23	54,332	80,981	106,833	125,705
Prepayments and other receivables	23	17,816	26,242	48,730	26,761
Amounts due from shareholders	1.2(e)&25(a)	—	—	344,600	—
Financial assets at fair value through profit or loss	21	79,986	214,713	448,085	290,243
Cash and cash equivalents	24	616,662	651,924	546,559	663,476
		770,892	974,968	1,495,939	1,110,315
Total assets		961,180	1,175,178	1,678,897	1,299,739
EQUITY					
Share capital	25(a)	—	—	—	50
Combined capital	25(b)	110,046	110,046	110,046	—
Treasury shares	25(a)	—	—	—	(4)
Reserves	26	84,321	(455,287)	(459,873)	(2,556,501)
Retained earnings	27	259,277	325,673	662,351	2,006,292
Equity attributable to equity owners of the Company		453,644	(19,568)	312,524	(550,163)
Non-controlling interests		1,387	6,109	7,034	4,281
Total equity/(deficit)		455,031	(13,459)	319,558	(545,882)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION—continued

	Note	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at September 30, 2022
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	29	72,381	71,964	—	59,574
Lease liabilities	17	5,176	6,542	5,066	5,685
Redemption liabilities	32	—	570,995	488,202	—
Financial liabilities at fair value through profit or loss	33	—	—	—	1,119,859
Contract liabilities	6	31,569	50,899	52,851	23,360
		109,126	700,400	546,119	1,208,478
Current liabilities					
Borrowings	29	—	—	64,322	—
Trade payables	30	163,733	156,591	213,483	150,907
Other payables and accruals	31	126,474	100,896	109,332	32,320
Redemption liabilities	32	—	—	123,274	—
Financial liabilities at fair value through profit or loss	33	—	—	—	187,371
Contract liabilities	6	71,666	151,342	187,234	174,466
Current income tax liabilities		30,373	75,094	110,432	87,044
Lease liabilities	17	4,777	4,314	5,143	5,035
		397,023	488,237	813,220	637,143
Total liabilities		506,149	1,188,637	1,359,339	1,845,621
Total equity and liabilities		961,180	1,175,178	1,678,897	1,299,739

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31, 2021	As at September 30, 2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries	37(a)	2,068	3,926,189
Financial assets at fair value through profit or loss		—	17,652
		2,068	3,943,841
Current assets			
Cash and cash equivalents		—	349,019
Amounts due from shareholders	1.2(e)&25(a)	46	—
Amounts due from a subsidiary		—	49
		46	349,068
Total assets		2,114	4,292,909
EQUITY			
Share capital	25(a)	46	50
Treasury shares	25(a)	—*	(4)
Accumulated losses	37(c)	(35)	(2,668,237)
Reserves	37(c)	2,068	5,653,733
Total equity		2,079	2,985,542
LIABILITIES			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	33	—	1,119,859
		—	1,119,859
Current liabilities			
Financial liabilities at fair value through profit or loss	33	—	187,371
Other payables and accruals	37(b)	35	137
		35	187,508
Total liabilities		35	1,307,367
Total equity and liabilities		2,114	4,292,909

* The balance was rounded to the nearest thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share capital	Combined capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019		—	110,046	84,541	140,454	335,041	1,077	336,118
Profit for the year		—	—	—	119,023	119,023	310	119,333
Currency translation differences		—	—	(420)	—	(420)	—	(420)
Total comprehensive (loss)/ income for the year		—	—	(420)	119,023	118,603	310	118,913
Transactions with owners:								
Appropriation for statutory surplus reserve		—	—	200	(200)	—	—	—
Total transactions with owners of the company		—	—	200	(200)	—	—	—
As at December 31, 2019		—	110,046	84,321	259,277	453,644	1,387	455,031

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Combined capital	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2020		—	110,046	84,321	259,277	453,644	1,387	455,031
Profit for the year		—	—	—	291,370	291,370	576	291,946
Currency translation differences		—	—	1,257	—	1,257	11	1,268
Total comprehensive income for the year		—	—	1,257	291,370	292,627	587	293,214
Transactions with owners:								
Capital injection by non-controlling interests	(a)	—	—	1,247	—	1,247	4,135	5,382
Appropriation for statutory surplus reserve		—	—	24,974	(24,974)	—	—	—
Dividends paid to then shareholders of Beijing Yuehua Entertainment Limited (北京樂華圓娛文化傳播有限公司, "Yuehua Limited"), previously known as Beijing Yuehua Entertainment Co., Ltd. (北京樂華圓娛文化傳播股份有限公司)	13	—	—	—	(200,000)	(200,000)	—	(200,000)
Redesignation of ordinary shares to redemption liabilities as a result of additional redemption rights granted to certain then shareholders of Yuehua Limited	32	—	—	(567,086)	—	(567,086)	—	(567,086)
Total transactions with owners of the Company		—	—	(540,865)	(224,974)	(765,839)	4,135	(761,704)
As at December 31, 2020		—	110,046	(455,287)	325,673	(19,568)	6,109	(13,459)

(a) In August 2020, a then wholly owned subsidiary of Yuehua Limited issued new equity shares at a total consideration of approximately RMB5,382,000, which resulted in a decrease of the Group's equity interest in this subsidiary from 100% to 85%. As a result, the Group recognized a credit of approximately RMB4,135,000 to non-controlling interests and a credit of approximately RMB1,247,000 to other reserves.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Combined capital	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021		—	110,046	(455,287)	325,673	(19,568)	6,109	(13,459)
Profit for the year		—	—	—	336,684	336,684	(1,352)	335,332
Currency translation differences		—	—	(6,706)	—	(6,706)	64	(6,642)
Total comprehensive (loss)/ income for the year		—	—	(6,706)	336,684	329,978	(1,288)	328,690
Transactions with owners:								
Appropriation for statutory surplus reserve		—	—	6	(6)	—	—	—
Issuance of shares by the Company	25(a)	—	—	46	—	46	—	46
Equity settled share-based payments	38	—	—	2,068	—	2,068	—	2,068
Liquidation of a non-wholly owned subsidiary		—	—	—	—	—	(375)	(375)
Capital injection by non-controlling interests	(b)	—	—	—	—	—	2,588	2,588
Total transactions with owners of the Company		—	—	2,120	(6)	2,114	2,213	4,327
As at December 31, 2021		—	110,046	(459,873)	662,351	312,524	7,034	319,558

(b) The amount represented capital injection from independent minority shareholders for non-wholly owned subsidiaries upon their incorporation.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

		Attributable to owners of the Company						
	Note	Share capital	Combined capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
As at January 1, 2021		—	110,046	(455,287)	325,673	(19,568)	6,109	(13,459)
Profit for the period		—	—	—	235,556	235,556	1,169	236,725
Currency translation differences		—	—	(4,717)	—	(4,717)	(71)	4,788
Total comprehensive (loss)/ income for the period		—	—	(4,717)	235,556	230,839	1,098	231,937
Transactions with owners:								
Issuance of shares by the Company		—	—	46	—	46	—	46
Liquidation of a non-wholly owned subsidiary		—	—	—	—	—	(375)	(375)
Capital injection by non-controlling interests	(b)	—	—	—	—	—	588	588
Total transactions with owners of the Company		—	—	46	—	46	213	259
As at September 30, 2021		—	110,046	(459,958)	561,229	211,317	7,420	218,737

(b) The amount represented capital injection from independent minority shareholders for non-wholly owned subsidiaries upon their incorporation.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

		Attributable to owners of the Company							
	Note	Share capital	Combined capital	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022		—	110,046	—	(459,873)	662,351	312,524	7,034	319,558
Profit for the period		—	—	—	—	1,343,941	1,343,941	724	1,344,665
Currency translation differences		—	—	—	(143,630)	—	(143,630)	(204)	(143,834)
Total comprehensive (loss)/income for the period		—	—	—	(143,630)	1,343,941	1,200,311	520	1,200,831
Transactions with owners:									
Equity settled share-based payments	38	—	—	—	66,235	—	66,235	—	66,235
Deemed distribution to the shareholders of the Company	1.2(g)(i)&34(d)	—	—	—	565	—	565	—	565
Reorganization-exchange redemption liabilities with convertible preferred shares	32&33	—	—	—	(1,869,521)	—	(1,869,521)	—	(1,869,521)
Reclassification of combined capital to share capital and other reserves upon the completion of the reorganization	1.2	46	(110,046)	—	110,000	—	—	—	—
Issuance of ordinary shares by the Company	25(a)	4	—	—	—	—	4	—	4
Treasury shares	25(a)	—	—	(4)	—	—	(4)	—	(4)
Dividends to the shareholders of the Company	13	—	—	—	(259,951)	—	(259,951)	—	(259,951)
Acquisition of non-controlling interests of a subsidiary		—	—	—	(326)	—	(326)	(1,999)	(2,325)
Liquidation of non-wholly owned subsidiaries		—	—	—	—	—	—	(1,274)	(1,274)
Total transactions with owners of the Company		50	(110,046)	(4)	(1,952,998)	—	(2,062,998)	(3,273)	(2,066,271)
As at September 30, 2022		50	—	(4)	(2,556,501)	2,006,292	(550,163)	4,281	(545,882)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Nine months ended September 30,	
	Note	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (Unaudited)	**RMB'000**
Cash flows from operating activities						
Cash generated from operations	34(a)	307,707	483,063	598,530	584,149	133,797
Income taxes paid		(53,736)	(57,518)	(90,630)	(69,618)	(91,565)
Net cash generated from operating activities		253,971	425,545	507,900	514,531	42,232
Cash flows from investing activities						
Purchases of property, plant and equipment		(102,641)	(3,544)	(12,364)	(9,944)	(2,608)
Purchase of investment properties		(16,083)	—	—	—	—
Purchase of intangible assets		(7,949)	—	—	—	(102)
Proceeds from disposal of property, plant and equipment		—	346	51	46	27
Payments for financial assets at fair value through profit or loss		(1,076,610)	(1,123,565)	(1,456,418)	(1,122,584)	(781,651)
Proceeds from disposals of financial assets at fair value through profit or loss		1,228,340	970,321	1,208,281	374,475	908,817
Interest received from bank deposits and other loans		1,222	3,693	4,455	3,010	5,809
Payments for investments accounted for using the equity method		(2,333)	(5,788)	—	—	(15,500)
Proceeds from disposal of investments accounted for using the equity method		—	—	5,500	5,500	—
Advance of loans to third parties		(661)	(10,923)	(9,236)	(3,382)	(3,811)
Repayment from loans to third parties and a related party		250	8,276	1,029	982	21,875
Net cash generated from/(used in) investing activities		23,535	(161,184)	(258,702)	(751,897)	132,856
Cash flows from financing activities						
Interest paid for borrowings		(539)	(2,037)	(1,853)	(1,412)	(1,684)
Proceeds from borrowings and loans from a related Party		73,838	—	—	—	—
Repayment of borrowings and loans from a third party and related parties		(30,578)	(21,208)	—	—	—
Payment for lease liabilities – principal and interest		(5,787)	(10,618)	(4,279)	(3,596)	(2,287)
Capital injection by non-controlling interests		—	5,382	2,588	588	—
Deemed distribution paid to the shareholders of the Company	34(d)	—	—	—	—	(15,298)
Dividends paid by Yuehua Limited to its then shareholders	13&31(b)	—	(201,875)	—	—	—
Dividends paid by the Company to the holders of convertible preferred shares	13	—	—	—	—	(139,369)
Dividends paid by the Company to its ordinary shareholders	13	—	—	—	—	(57,898)
Effect of reorganization in respect of the acquisition of a company comprising the Group	1.2(e)(i) &(ii)	—	—	(344,554)	—	(402,250)
Proceeds from issuance of convertible preferred shares by the Company to reflect the onshore shareholding structure as part of the reorganization	1.2(f)(i) & 33	—	—	—	—	544,751
Payment for **[REDACTED]**		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Liquidation of non-wholly owned subsidiaries		—	—	—	—	(1,274)
Acquisition of non-controlling interests of a subsidiary		—	—	—	—	(2,325)
Net cash generated from/(used in) financing activities		36,934	(230,356)	(353,254)	(6,483)	(77,753)
Net increase/(decrease) in cash and cash equivalents		314,440	34,005	(104,056)	(243,849)	97,335
Cash and cash equivalents at the beginning of the year/period		303,076	616,662	651,924	651,924	546,559
Effect of exchange rate changes on cash and cash equivalents		(854)	1,257	(1,309)	(457)	19,582
Cash and cash equivalents at the end of the year/ period		616,662	651,924	546,559	407,618	663,476

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

YH Entertainment Group ("the Company") was incorporated in the Cayman Islands on June 10, 2021 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in artist management, music IP production and operation and pan-entertainment business in the People's Republic of China (the "PRC") and Korea (collectively, the "**[REDACTED]** Business"). The ultimate holding company of the Company is DING GUOHUA LIMITED, a company incorporated in the British Virgin Islands ("BVI"). The ultimate controlling shareholder is Ms. DU Hua ("**Ms. Du**" or the "**Controlling Shareholder**"), who has been controlling the group companies since their incorporation.

1.2 Reorganization

Immediately prior to the reorganization (the "Reorganization") and during the Track Record Period, the **[REDACTED]** Business was mainly carried by Yuehua Limited, a limited liability company in the PRC, and its subsidiaries (the "Operating Entities").

In preparing for the **[REDACTED]** of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganization to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the **[REDACTED]** Business.

The Reorganization involved the following steps:

(a) Incorporation of the Company and its offshore subsidiaries

(i) On June 10, 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of the Group, as part of the Reorganization. Upon incorporation, the authorized share capital of the Company was USD50,000 divided into 500,000,000 ordinary shares with a par value of USD0.0001 each. On the same day, 58,108,105, 3,827,984, 6,624,279, 200,000, 29,000, and 2,721,497 ordinary shares were allotted and issued to DING GUOHUA LIMITED, QINGDINGDANG LIMITED, Bloom Joy Capital Profit Limited, Changyang Limited, UPXF GROUP LIMITED and POWER JOY PLUS LIMITED, respectively, all of which were owned by the then equity owners of Yuehua Limited.

(ii) On June 22, 2021, YH Entertainment Group (BVI) Limited ("Yuehua BVI") was incorporated in BVI with the Company being its sole shareholder.

(iii) On July 6, 2021, YH Entertainment Group (HK) Limited ("Yuehua HK") was incorporated as a limited liability company in Hong Kong with Yuehua BVI being its sole shareholder.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 Reorganization—continued

(b) Conversion of Yuehua Limited into a sino-foreign joint venture company

(i) On August 30, 2021, Mr. WANG Huan transferred an aggregate of RMB1,100,000 registered capital, which represents 1.00% of the then registered capital of Yuehua Limited, to Joinstar Asia (HK) Limited ("Joinstar HK"). Joinstar HK is wholly owned by Joinstar Asia Limited, a BVI incorporated company, which is in turn wholly owned by Mr. Nick Ning Yang, an independent third party. Following such share transfer, Yuehua Limited was converted from a domestic company into a sino-foreign joint venture company.

(c) Entering into contractual arrangement in respect of Horgos Yuehua Picture Limited

(i) On August 30, 2021, as part of the Reorganization, Yuehua Limited disposed all of its shares in Horgos Yuehua Picture Limited ("Horgos Yuehua"), a then wholly owned subsidiary incorporated in the PRC and engaged in variety program production businesses, movies and made-to-order web drama series production businesses, in which foreign investors are prohibited from holding any equity interests under the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施 (負面清單) (2021年版)), to Ms. Du and Mr. SUN Yiding (the "Registered Shareholders"). On the same date, Yuehua Limited adopted a series of contractual arrangements (collectively the "Contractual Arrangements") with Horgos Yuehua and its Registered Shareholders, pursuant to which the Yuehua Limited is able to effectively control, recognize and receive substantially all the economic benefits of the business and operations of Horgos Yuehua to the extent permitted by the PRC laws and regulations.

(ii) Accordingly, Horgos Yuehua is treated as a structured entity controlled by the Group. Further details of the Contractual Arrangements are set out in Note 2.2.1 below.

(d) Establishment of Tianjin Yuehua Investment Co., Ltd.

(i) On September 24, 2021, Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司, "Yuehua Investment") was incorporated as a limited liability company in the PRC with Yuehua HK being its sole shareholder.

(e) Acquisition of Yuehua Limited and transactions with certain institutional and individual investors

(i) On December 30, 2021, Ms. Du, Mr. WANG Huan, Mr. FANG Shaojun, Mr. XIAO Fei, Huarenwenhua Co., Ltd. (華人文化有限責任公司) ("CMC"), Tibet Huaguoguo Culture Technology Co., Ltd. (西藏華果果文化科技有限公司), and Shanghai Kunling Network Technology Partnership (Limited Partnership) (上海坤伶網絡科技合夥企業（有限合夥）), transferred 79.01% of Yuehua Limited's registered capital to Yuehua Investment at total consideration amounting to approximately RMB 344,554,000. The consideration was fully settled in December 2021.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 Reorganization—continued

(ii) On January 30, 2022, Zhejiang Dongyang Alibaba Pictures Co., Ltd. (浙江東陽阿里巴巴影業有限公司) ("Dongyang Alibaba Pictures") and Beijing Quantum Jump Technology Co., Ltd. (北京量子躍動科技有限公司) ("Quantum Jump") transferred an aggregate of 19.99% of Yuehua Limited's registered capital to Yuehua Investment at total consideration amounting to approximately RMB 402,250,000. The consideration was fully settled in February 2022.

(iii) On January 30, 2022, Mr. Nick Ning Yang transferred all of his 100% equity interest in Joinstar Asia Limited to Yuehua BVI.

(iv) Subsequently after the aforementioned transfers, Yuehua Limited was owned as to 99.00% and 1.00% by Yuehua Investment and Joinstar HK, both of which were wholly owned subsidiaries of the Company.

(v) Pursuant to the reorganization framework agreement ("Reorganization Framework Agreement") entered into among the Company, Yuehua Limited, Ms. DU, Mr. WANG Huan, Mr. FANG Shaojun, Mr. XIAO Fei, Mr. Nick Ning Yang, Joinstar Asia Limited, CMC, Quantum Jump and Dongyang Alibaba Pictures on November 30, 2021, the Group retains the contractual right to receive refund of all considerations paid, including the aforementioned RMB 344,554,000 paid in step 1.2(e)(i), as long as the reorganization (which includes the steps from 1.2(a) to (f) under the Reorganization Framework Agreement) is not yet fully completed.

As the Group's reorganization was not fully completed as at December 31, 2021, the aforementioned RMB 344,554,000 consideration paid out by the Group in step 1.2(e)(i) as part of the reorganization was presented as amounts due from shareholders that existed as at December 31, 2021.

These amounts due from shareholders were subsequently settled in March 2022 as detailed in step 1.2(f).

(f) Issuance of shares by the Company to reflect the onshore shareholding structure

(i) On January 28, 2022, the Company issued 1,100,000 ordinary Shares, to DIAMOND HAMMOCK LIMITED, a BVI incorporated company wholly owned by Mr. Nick Ning Yang. On the same day, 1,100,000 ordinary Shares of the Company held by Bloom Joy Capital Profit Limited (which was wholly owned by Mr. WANG Huan) were cancelled to mirror the share transfer in step 1.2(b)(i) as part of the Reorganization.

(ii) On January 28, 2022, the offshore affiliates of CMC, Quantum Jump and Dongyang Alibaba Pictures entered into a share subscription agreement with the Company for the subscription of 16,500,135 Series A-1 Preferred Shares, 5,489,000 Series A-2 Preferred Shares and 16,500,000 Series A-3 Preferred Shares, respectively. The consideration was settled in February and March 2022.

(iii) On March 4, 2022, pursuant to a written resolution of the Company, DING GUOHUA LIMITED, QINGDINGDANG LIMITED, Bloom Joy Capital Profit Limited, Changyang Limited, UPXF GROUP LIMITED and POWER JOY PLUS LIMITED made capital contribution as share premium into the Company. The consideration was settled in March 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 Reorganization—continued

(iv) The total considerations settled to the Group from the aforementioned subscriptions and capital contributions in steps 1.2(f)(i) to (iii) approximate the considerations paid by the Group in steps 1.2(e)(i) to (iii).

(g) Dismantlement of contractual arrangements in respect of Horgos Yuehua

(i) On March 4, 2022, the Group structurally dismantled the Contractual arrangements in respect of Horgos Yuehua as part of the Reorganization. In connection with such dismantlement, a deemed distribution was approved by the Board and the shareholders of the Company, pursuant to which all the shareholders of the Company (other than ARK Trust (Hong Kong) Limited and LIGHTSTONE TRUST (HONG KONG) LIMITED, both of which are trustees for the administration of the 2021 share incentive plan of the Company as detailed in Notes 38) are entitled to equity interest in Horgos Yuehua in proportion to their respective shareholding in the Company upon the completion of the Reorganization. Both Horgos Yuehua and the Company are under the control of the same ultimate controlling shareholder, being Ms. Du. Hence, this deemed distribution was accounted for as an equity transaction (i.e. distribution to owners) in the Group's consolidated statements of changes in equity, resulting in a credit of approximately RMB 565,000 to total equity with no impact to profit or loss.

Overall, transactions from steps 1.2(a) to (g) above were considered multiple steps of one transaction which formed a recapitalization of the **[REDACTED]** Business with no changes in management of the **[REDACTED]** Business and the ultimate owners of the **[REDACTED]** Business remain the same.

Moreover, as the Group's reorganization was not fully completed as at December 31, 2021, the Group's historical financial information for the years ended December 31, 2019, 2020 and 2021 was presented under combined basis.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 Reorganization—continued

Upon completion of the Reorganization in March 2022, the Company became the holding company of the companies now comprising the Group. As at the date of this report and during the Track Record Period, the Company had direct or indirect interests in the following principal subsidiaries:

				Effective interest held by the Group					
				December 31,			September 30,		
Name of subsidiary	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid in capital/ registered capital	2019	2020	2021	2022	As of the date of this report	Note
Direct Interests:									
Yuehua BVI	The BVI; June 22, 2021	Investment holding; The BVI	—/USD 1	—	—	100%	100%	100%	(a)
Indirect Interests:									
Yuehua HK	Hong Kong; July 6, 2021	Investment holding; Hong Kong	—/HKD10,000	—	—	100%	100%	100%	(a)
Joinstar Asia Limited	The BVI; January 30, 2022	Investment holding; The BVI	—/HKD10,000	—	—	—	100%	100%	(a)
Joinstar HK	Hong Kong; January 30, 2022	Investment holding; Hong Kong	—/HKD10,000	—	—	—	100%	100%	(a)
Yuehua Investment* (天津樂華投資有限公司)	The PRC; September 24, 2021	Investment holding; The PRC	—/ RMB200,000,000	—	—	100%	100%	100%	(a)
YUE HUA HONG KONG ENTERTAINMENT COMPANY LIMITED* (樂華娛樂香港有限公司)	Hong Kong; January 13, 2015	Pan-entertainment business; Hong Kong	USD77,352/ USD77,352	100%	100%	100%	100%	100%	(b)
Yuehua Limited*	The PRC; July 3, 2009	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB110,000,000/ RMB110,000,000	100%	100%	100%	100%	100%	(a)
Tianjin Yuehua Music Culture Communication Co., Ltd. (天津樂華音樂文化傳播有限公司)	The PRC; August 1, 2011	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	(a)
Tibet Yuehua Culture Communication Co., Ltd.* (西藏樂華文化傳播有限公司)	The PRC; December 25, 2011	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	(a)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 Reorganization—continued

				Effective interest held by the Group					
				December 31,			September 30,	As of the date of this report	
Name of subsidiary	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid in capital/ registered capital	2019	2020	2021	2022		Note
Horgos Yuehua * (霍爾果斯樂華影業有限公司)	The PRC; January 6, 2016	Investment and production in movies and TV shows; The PRC	RMB80,000,000/ RMB80,000,000	100%	100%	100%	—	—	(a) & (d)
Tianjin Yihua Management Consulting Co., Ltd. ("Tianjin Yihua") * (天津壹華管理諮詢有限責任公司)	The PRC; February 22, 2019	Investment holding; The PRC	RMB30,000,000/ RMB30,000,000	100%	100%	100%	100%	100%	(a)
Tianjin Yuedong Dream Culture Communication Co., Ltd.* (天津樂動夢想文化傳播有限公司)	The PRC; December 23, 2020	Artist management, music IP production and operation and pan-entertainment business; The PRC	RMB1,200,000/ RMB6,000,000	N/A	51%	51%	—	—	(a)
Tianjin Chufa Culture Technology Co., Ltd. * (天津觸發文化科技有限公司)	The PRC; April 17, 2014	Pan-entertainment business; The PRC	RMB1,000,000/ RMB1,000,000	90%	90%	90%	100%	100%	(a)
Yuehua Entertainment Korea Co., Ltd.* (韓國樂華娛樂股份有限公司)	Korea; August 28, 2014	Training center for artist management; The PRC	KRW5,875,000,000/ KRW5,875,000,000	100%	85%	85%	85%	85%	(c)

(a) These entities were not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

(b) The statutory financial statements of YUE HUA HONG KONG ENTERTAINMENT COMPANY LIMITED for the years ended December 31, 2019, 2020 and 2021 were audited by Sky Way CPA&Co.

(c) The statutory financial statements of Yuehua Entertainment Korea Co., Ltd. for the years ended December 31, 2019, 2020 and 2021 were audited by YE KYO JI SEONG.

(d) As mentioned earlier in this note, the Company does not have directly or indirectly legal ownership in the equity of Horgos Yuehua from August 30, 2021 to March 4, 2022. Nevertheless, under the Contractual Arrangements entered into with the registered shareholders of Horgos Yuehua, the Company and its other legally owned subsidiaries control this company by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over Horgos Yuehua, receives variable returns from its involvement, and has the ability to affect those returns through its power over Horgos Yuehua. As a result, they are presented as a controlled structured entity of the Company for accounting purpose.

* The English translation is for identification purpose only. These companies do not have official English and/or Chinese names.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.3 Basis of presentation

Immediately prior to the Reorganization and during the Track Record Period, the **[REDACTED]** Business was primarily conducted through the Operating Entities. Pursuant to the Reorganization, the **[REDACTED]** Business were transferred to and held by the Company.

The Company and those companies newly incorporated pursuant to the Reorganization have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a recapitalization of the **[REDACTED]** Business with no changes in management of the **[REDACTED]** Business and the ultimate owners of the **[REDACTED]** Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the **[REDACTED]** Business under the Operating Entities, with the assets and liabilities of the Group recognized and measured at the carrying amounts in the financial statements of the Operating Entities for all periods presented.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standard ("IFRS") issued by International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets and financial liabilities (measured at fair value).

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

New and amended standards adopted by the Group

In preparing the Historical Financial Information, the Group has consistently adopted all applicable new and amended IFRSs throughout all the years presented except for any new or interpretation that are not yet effective.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.1 Basis of preparation—continued

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after October 1, 2022 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to IAS 1 and IFRS 2 Practice Statements 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendment to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments to standards and interpretations to the existing IFRS.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Subsidiary controlled through contractual arrangements

As described in Note 1.2, the Yuehua Limited has entered into the Contractual Arrangements with Horgos Yuehua and its Registered Shareholders on August 30, 2021, which enable the Yuehua Limited and the Group to:

- Exercise effective control over Horgos Yuehua;
- Exercise equity holders' voting rights of Horgos Yuehua;
- Receive substantially all of the economic interests and returns generated by Horgos Yuehua in consideration for the technical support, consulting and other services provided exclusively by the Yuehua Limited, at the Yuehua Limited's discretion;

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.2 Subsidiaries—continued

2.2.1 Consolidation—continued

- Obtain an irrevocable and exclusive right to purchase all equity interests in Horgos Yuehua from its Registered Shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the Registered Shareholders of Horgos Yuehua shall return the amount of purchase consideration they have received to the Yuehua Limited. At the Yuehua Limited's request, the Registered Shareholders of Horgos Yuehua will promptly and unconditionally transfer their respective equity interests of Horgos Yuehua to the Yuehua Limited (or its designee within the Group) after Yuehua Limited exercises its purchase right; and
- Obtain pledges over the entire equity interests in Horgos Yuehua from its Registered Shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interests in Horgos Yuehua from August 30, 2021 onwards. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Horgos Yuehua and has the ability to affect those returns through its power over Horgos Yuehua and is considered to control it. Consequently, the Company regards Horgos Yuehua as a controlled structure entity and continues to combine the financial position and results of operations of it in the Historical Financial Information of the Group from August 30, 2021 onwards until March 4, 2022, when the Group dismantled the Contractual Arrangements as part of the Reorganization as detailed in Note 1.2(g).

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

(b) Business Combination

Except for the Reorganization, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.2 Subsidiaries—continued

2.2.1 Consolidation—continued

Acquisition-related costs are expensed as incurred.

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

The excess of the consideration transferred, the amounts of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non- controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the comprehensive income.

Inter-company transactions, balances and realized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amounts of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amounts recognized in profit or loss. The fair value is the initial carrying amounts for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS.

2.2.2 Separate financial statements

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.2 Subsidiaries—continued

2.2.2 Separate financial statements—continued

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates

Investments in associates are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investments is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee and the share of OCI of the investee after the date of acquisition. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investments. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income or loss is reclassified to consolidated statements of comprehensive income or loss where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated statements of comprehensive income or loss, and its share of post-acquisition movements in other comprehensive income or loss is recognized in other comprehensive income or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "Share of losses of investments accounted for using the equity method" in the consolidated statements of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.3 Associates—continued

unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statements of comprehensive income.

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statements of comprehensive income within "other (losses)/gains, net".

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.5 Foreign currency translation—continued

(c) Group companies

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

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

On consolidation, exchange differences arising from the translation of any net investments in foreign entities are recognized in OCI.

2.6 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.7 Investment properties

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

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

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

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

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

2.8 Intangible assets

(a) Software

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

(b) Music copyrights

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

(c) Movie rights

Movies under production are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of movies. Provisions are made for costs which are in excess of the expected future revenues generated by these movies. The balance of movie production costs not yet due at the end of each reporting period are disclosed as commitments.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.8 Intangible assets—continued

Upon completion, costs of movies under production are transferred to movie rights of completed production, which are stated at cost less accumulated amortization and impairment losses. The cost of movie rights is expensed on first public exhibition.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(a) Classification

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investments are held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.10 Financial assets—continued

rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

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

Debt instruments

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.10 Financial assets—continued

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as "other income" when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognized in "other (losses)/gains, net" in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

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

- Cash and cash equivalents
- Amounts due from shareholders
- Trade receivables
- Other receivables

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

For amounts due from shareholders, the Group has assessed the expected credit losses of these balances and the identified impairment loss was immaterial.

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.10 Financial assets—continued

(e) Derecognition

Financial assets

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

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

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

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

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, 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 recognized in profit or loss.

(f) Offsetting financial instruments

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

2.11 Inventories

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.12 Trade and other receivables

Trade receivables are amounts due from customers for service performed or inventories sold in the ordinary course of business. If collection of trade receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. Other receivables are recognized initially at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade and other receivables and Note 3.1(b)(ii) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

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

2.15 Trade and other payables

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.16 Borrowings

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

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

2.17 Borrowing costs

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.18 Current and deferred income tax—continued

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

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

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

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

2.19 Employee benefits

(a) Pension obligations

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

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

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

(c) Employee leave entitlements

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.20 Share-based benefits

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

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.21 Provisions

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

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

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

2.22 Revenue recognition

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.22 Revenue recognition—continued

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

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

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

(a) Artist management

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

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

(b) Music IP production and operation

The Group generates revenue from sub-licensing music copyrights to third parties' online platforms. Under these arrangements, the Group's performance obligations are either (i) to deliver

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.22 Revenue recognition—continued

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

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

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

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

(c) Pan-entertainment business

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

2.23 Leases

The Group leases certain offices and motor vehicles. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.23 Leases—continued

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

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

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

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

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

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

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

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

2.24 Dividend distribution

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.25 Government grants

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

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

2.26 Interest income

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

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

2.27 Redemption liabilities

Redemption liabilities arise from preferential rights granted by the Group which permit the holders to request the Group to purchase the equity instruments held by them for cash when certain conditions are met. As the Group does not have the unconditional right to avoid delivering cash or financial assets under the preferential rights, a financial liability is recognized at the present value of the estimated future cash outflows on exercise of the preferential rights. Subsequently, if the Group revises its estimates of payments, the Group will recalculate the carrying amount based on the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and adjust the carrying amount of the financial liabilities to reflect actual or revised estimated cash outflows in the consolidated balance sheet through profit or loss. In the event that these preferential rights remain unexercised upon expiry, the liabilities are derecognized with a corresponding adjustment to equity.

The redemption liabilities are classified as current liabilities unless these preferential rights can only be exercised 12 months after the end of the reporting period, in that case they are classified as non-current liabilities.

2.28 Convertible preferred shares

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

The Group designates convertible preferred shares as financial liabilities at FVPL. Convertible preferred shares are classified as non-current liabilities or current liabilities depending on whether the convertible preferred shares holders can demand the Company to redeem the convertible preferred

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Summary of significant accounting policies—continued

2.28 Convertible preferred shares—continued

shares for cash within 12 months after the end of the reporting period or not. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive income.

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets and liabilities denominated in USD whereas their functional currency is RMB. For the years ended December 31, 2019, 2020 and 2021 and nine months ended September 30, 2022, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the years ended December 31, 2019, 2020 and 2021 and nine months ended September 30, 2022 would have been approximately RMB423,000, RMB359,000, RMB279,000 and RMB4,000 lower/higher.

(ii) Fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group has no significant interest-bearing assets. Hence, the directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

As at December 31, 2019, 2020 and 2021 and September 30, 2022, the Group's interest-bearing borrowings at floating rates were as follows:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings at floating rates	72,381	71,964	64,322	59,574

As at December 31, 2019, 2020 and 2021 and September 30, 2022, if the interest rates on borrowings at floating rates has been 50 basis points higher/lower with all variables held constant, profit before income tax for the periods then ended would have been approximately RMB362,000, RMB360,000, RMB322,000 and RMB223,000, higher/lower, respectively, mainly as a result of higher/lower interest expenses from borrowings.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, trade and other receivables and amounts due from shareholders.

(i) Risk management

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

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

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

(ii) Impairment of financial assets

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

- Cash and cash equivalents
- Amounts due from shareholders
- Trade receivables
- Other receivables

Cash and cash equivalents

While the Group's cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were with sound credit ratings.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

Amounts due from shareholders

For amounts due from shareholders, the Group has assessed the expected credit losses of these balances and the identified impairment loss was immaterial.

Trade receivables

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

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

On such basis, the loss allowance as at December 31, 2019, 2020, 2021 and September 30, 2022 was determined as follows for trade receivables:

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
As at December 31, 2019							
Expected loss rate	3.85%	7.30%	11.11%	19.22%	30.84%	—	9.55%
Gross carrying amount (RMB'000)	39,901	4,741	477	6,957	7,993	—	60,069
Loss allowance provision (RMB'000)	1,536	346	53	1,337	2,465	—	5,737
As at December 31, 2020							
Expected loss rate	4.15%	8.11%	11.97%	24.20%	35.12%	100.00%	14.94%
Gross carrying amount (RMB'000)	75,620	7,561	117	1,000	1,062	9,840	95,200
Loss allowance provision (RMB'000)	3,137	613	14	242	373	9,840	14,219
As at December 31, 2021							
Expected loss rate	4.37%	9.42%	12.15%	35.49%	—	100.00%	13.76%
Gross carrying amount (RMB'000)	96,786	7,293	6,867	2,536	—	10,395	123,877
Loss allowance provision (RMB'000)	4,228	687	834	900	—	10,395	17,044
As at September 30, 2022							
Expected loss rate	4.70%	9.70%	13.52%	36.33%	—	100.00%	14.44%
Gross carrying amount (RMB'000)	80,183	31,201	22,430	2,703	—	10,395	146,912
Loss allowance provision (RMB'000)	3,770	3,028	3,032	982	—	10,395	21,207

The directors of the Company have carefully re-assessed the lifetime expected credit loss of trade receivables as at December 31, 2020 and 2021 and September 30, 2022, and increased the expected credit loss rate as at December 31, 2020 and 2021 and September 30, 2022 to reflect the adverse impact of COVID-19 to the macroeconomic environment and the PRC pan-entertainment industry.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

The movement of loss allowances for trade receivables for the years ended December 31, 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022 are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	4,295	5,737	14,219	14,219	17,044
Impairment provision	1,454	8,897	2,876	696	4,184
Write-off	—	(429)	—	—	—
Currency translation difference	(12)	14	(51)	66	(21)
At the end of the year/period	5,737	14,219	17,044	14,981	21,207

Other receivables

Other receivables primarily comprise balances resulted from the Group's principal activities with various business partners primarily in the PRC entertainment industry. The impairment loss of these financial assets carried at amortized cost is measured based on the twelve months expected credit loss. The Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations; and
- significant changes in the expected performance and behavior of the borrowers, including changes in the payment status of borrowers in the group and changes in the operating results of the borrowers.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Under such case, the other receivables are classified as stage 2 and subject to lifetime expected losses provision. When the other receivables became past due for more than 90 days, they are treated as credit-impaired and therefore classified as stage 3.

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

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorizes a receivable for write off when a debtor fails to make contractual payments more than three years past due. Where

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

other receivables have been written off, the Company continues to engage in follow-up actions such as enforcement activities to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Management uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies including Moody's.

A summary of the assumptions underpinning the Group's expected credit loss model on other receivables is as follows:

Category	The Group's definition of category	Basis for recognition of expected credit loss provision
Stage 1	Other receivables whose credit risk is in line with original expectations and/or past due for less than 30 days.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2	Other receivables for which a significant increase has occurred compared to original expectations; A significant increase in credit risk is presumed if interest and/or principal repayments are past due for more than 30 days but less than 90 days.	Lifetime expected losses
Stage 3	Interest and/or principal repayments are more than 90 days past due or it becomes probable a customer will enter bankruptcy.	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than three years past due and there is no reasonable expectation of recovery.	Asset is written off

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

As at December 31, 2019	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount				
Loans to third parties and a related party	11,021	—	—	11,021
Rental and other deposits	3,749	—	—	3,749
Others	3,450	—	—	3,450
	18,220	**—**	**—**	**18,220**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance				
Loans to third parties and a related party	97	—	—	97
Rental and other deposits	210	—	—	210
Others	53	—	—	53
	360	**—**	**—**	**360**
Expected credit loss rate	1.98%	—	—	1.98%

As at December 31, 2020	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount				
Loans to third parties and a related party	13,668	—	—	13,668
Rental and other deposits	4,519	—	—	4,519
Others	3,048	—	—	3,048
	21,235	**—**	**—**	**21,235**

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance				
Loans to third parties and a related party	129	—	—	129
Rental and other deposits	249	—	—	249
Others	39	—	—	39
	417	**—**	**—**	**417**
Expected credit loss rate	1.96%	—	—	1.96%

As at December 31, 2021	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount				
Loans to third parties and a related party	21,875	—	—	21,875
Rental and other deposits	6,380	—	—	6,380
Others	3,241	—	—	3,241
	31,496	**—**	**—**	**31,496**

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance				
Loans to third parties and a related party	599	—	—	599
Rental and other deposits	175	—	—	175
Others	50	—	—	50
	824	**—**	**—**	**824**
Expected credit loss rate	2.62%	—	—	2.62%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

As at September 30, 2022	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount				
Loans to third parties	3,811	—	—	3,811
Rental and other deposits	5,838	—	—	5,838
Others	864	—	—	864
	10,513	**—**	**—**	**10,513**

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance				
Loans to third parties	113	—	—	113
Rental and other deposits	171	—	—	171
Others	25	—	—	25
	309	**—**	**—**	**309**
Expected credit loss rate	2.94%	—	—	2.94%

The loss allowances for other receivables as at December 31, 2019, 2020 and 2021 and September 30, 2021 and 2022 reconcile to the opening loss allowances as follows:

	Other receivables				
	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year /period	395	360	417	417	824
Impairment provision	(80)	57	420	80	(497)
Currency translation difference	45	—	(13)	(5)	(18)
At the end of the year/period	360	417	824	492	309

(c) Liquidity risk

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2019				
Borrowings	2,037	1,853	73,869	77,759
Trade payables	163,733	—	—	163,733
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	95,843	—	—	95,843
Lease liabilities	5,090	4,028	1,285	10,403
	266,703	5,881	75,154	347,738
At December 31, 2020				
Borrowings	1,853	73,439	—	75,292
Trade payables	156,591	—	—	156,591
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	63,760	—	—	63,760
Lease liabilities	4,436	4,705	2,403	11,544
Redemption liabilities	—	132,013	591,035	723,048
	226,640	210,157	593,438	1,030,235
At December 31, 2021				
Borrowings	65,641	—	—	65,641
Trade payables	213,483	—	—	213,483
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	69,048	—	—	69,048
Lease liabilities	5,967	2,369	2,094	10,430
Redemption liabilities	132,013	—	591,035	723,048
	486,152	2,369	593,129	1,081,650
At September 30, 2022				
Borrowings	908	3,633	65,612	70,153
Trade payables	150,907	—	—	150,907
Other payables and accruals (excluding salary and staff welfare payables and tax payable)	13,054	—	—	13,054
Lease liabilities	5,277	3,550	2,529	11,356
Financial liabilities at FVPL	132,013	—	591,035	723,048
	302,159	7,183	659,176	968,518

3.2 Capital management

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.2 Capital management—continued

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including borrowings and lease liabilities but excluding redemption liabilities) less cash and cash equivalents. Total capital is calculated as total equity (excluding reserve components attributable to redemption liabilities), as shown in the statement of financial position, plus net debt. As at December 31, 2019, 2020 and 2021 and September 30, 2022, the Group has a net cash position.

3.3 Fair value estimation

3.3.1 Fair value hierarchy

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

The tables below analyze the Group's financial instruments carried at fair value as at December 31, 2019, 2020, 2021 and September 30, 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2019				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	—	—	873	873
Investments in movies, drama series and variety programs (Note 21(b))	—	—	79,113	79,113
	—	—	79,986	79,986

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

3.3.1 Fair value hierarchy—continued

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2020				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	—	—	194,420	194,420
Investments in movies, drama series and variety programs (Note 21(b))	—	—	20,293	20,293
Investments in unlisted equity securities (Note 21(c))	—	—	800	800
	—	—	215,513	215,513

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2021				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	—	—	446,265	446,265
Investments in movies, drama series and variety programs (Note 21(b))	—	—	1,820	1,820
Investments in unlisted equity securities (Note 21(c))	—	—	2,800	2,800
	—	—	450,885	450,885

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at September 30, 2022				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	—	—	290,243	290,243
Investments in unlisted equity securities (Note 21(c))	—	—	31,452	31,452
Investments in a listed equity security (Note 21(d))	—	14,715	—	14,715
	—	14,715	321,695	336,410
Financial liabilities at FVPL				
Convertible preferred shares (Note 33)	—	—	1,307,230	1,307,230

There was no transfer of fair value hierarchy levels during the Track Record Period.

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

3.3.2 Valuation techniques used to determine fair values—continued

There were no changes to valuation techniques during the Track Record Period.

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

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

The following table presents the changes in level 3 items including investments in wealth management products, investments in movies, drama series and variety programs and investments in unlisted equity securities for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022.

	Financial assets at FVPL			
	Investments in wealth management products	Investments in movies, drama series and variety programs	Investments in unlisted equity securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	132,698	108,574	—	241,272
Additions	1,060,104	49,710	—	1,109,814
Disposals	(1,204,076)	(24,264)	—	(1,228,340)
Fair value gains/(losses)	12,147	(54,907)	—	(42,760)
As at December 31, 2019	873	79,113	—	79,986
As at January 1, 2020	873	79,113	—	79,986
Additions	1,112,282	10,483	800	1,123,565
Disposals	(932,754)	(37,567)	—	(970,321)
Fair value gains/(losses)	14,019	(31,736)	—	(17,717)
As at December 31, 2020	194,420	20,293	800	215,513
As at January 1, 2021	194,420	20,293	800	215,513
Additions	1,416,000	38,418	2,000	1,456,418
Disposals	(1,185,049)	(23,232)	—	(1,208,281)
Fair value gains/(losses)	20,894	(33,659)	—	(12,765)
As at December 31, 2021	446,265	1,820	2,800	450,885
As at January 1, 2022	446,265	1,820	2,800	450,885
Additions	741,000	—	26,938	767,938
Disposals	(906,997)	(1,820)	—	(908,817)
Fair value gains	9,975	—	—	9,975
Currency translation differences	—	—	1,714	1,714
As at September 30, 2022	290,243	—	31,452	321,695

For movements of convertible preferred shares during the nine months ended September 30, 2022, please refer to Note 33.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

3.3.4 Valuation process, inputs and relationships to fair value

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

The valuation of the level 3 instruments mainly included financial assets being investments in wealth management products (Note 21(a)), investments in movies, drama series and variety programs (Note 21(b)), investments in unlisted equity securities (Note 21(c)) and convertible preferred shares (Note 33). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc.

The investments in wealth management products mainly represent the investments in wealth management products issued by the banks in the PRC with guaranteed principal and floating return rate of investments. The Group used discounted cash flows approach to determine the fair value of the financial product as at period end.

The investments in movies, drama series and variety programs mainly represent the investments in certain movies and drama series and variety programs. The Group used discounted cash flows approach to evaluate the fair value of the investments in movies, drama series and variety programs as at each period end.

The following table summarizes the information about the significant unobservable inputs used in the level 3 fair value measurement of investments in wealth management products and movies, drama series and variety programs:

Description	Fair value at December 31,			Fair value at September 30,	Key inputs and relationships of unobservable inputs to fair value
	2019	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000	
Investments in wealth management products	873	194,420	446,265	290,243	As at December 31, 2019, 2020 and 2021 and September 30, 2022, the expected rates of return range from 3.45% to 4.65%, 1.49% to 3.95%, 2.60% to 3.95%,3.40% to 4.00%, respectively. The higher the expected rate of return, the higher the fair value.
Investments in movies, drama series and variety programs	79,113	20,293	1,820	—	Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at rates that reflects the internal rate of return of the underlying investments. The higher internal rate of return, the lower the fair value.
Total	79,986	214,713	448,085	290,243	

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

3.3.4 Valuation process, inputs and relationships to fair value—continued

For the significant unobservable inputs and their relationships to the fair value of convertible preferred shares, please refer to Note 33.

The unlisted investments represent the investments in certain privately owned companies. The Group used discounted cash flows approach to evaluate the fair value of the unlisted investments as at each period end. Also, the additional investments made during the nine months ended September 30, 2022 were close to September 30, 2022 and therefore, management is of the view that there are no material changes in fair value of the unlisted investments during the nine months ended September 30, 2022, unless there is available information about latest round of financing.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the profit before income tax for the years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2021 and 2022 would have been approximately RMB7,999,000, RMB21,551,000, RMB45,089,000, RMB94,865,000 and RMB33,641,000 higher/lower, respectively.

If the fair values of financial liabilities at FVPL held by the Group had been 10% higher/lower, the profit for the nine months ended September 30, 2022 would have been approximately RMB130,723,000 lower/higher, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

The carrying amount of the Group's other financial assets, including cash and cash equivalents, trade receivables, other receivables, and the Group's financial liabilities, including trade payables, other payables and accruals and lease liabilities, approximate their fair values.

4 Critical accounting estimates and judgments

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

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Critical accounting estimates and judgments—continued

(b) Measurement of the expected credit losses

The measurement of the expected credit losses for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss is further detailed in Notes 3.1(b).

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

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

(c) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgments and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(d) Estimation of redemption liabilities

The Group granted preferential rights to certain shareholders of Group that they have the right to request the Group to purchase the equity interests in Yuehua Limited held by them when certain

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Critical accounting estimates and judgments—continued

conditions are met. The Group initially recognize the financial liabilities at the present value of the estimated future cash outflows under the redemption arrangement and subsequently carried at amortized cost. If the Group revises its estimates of payments in subsequent periods, the Group will recalculate the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and adjust the carrying amount of the financial liabilities to reflect actual or revised estimated cash outflows in the consolidated balance sheet. The adjustment to the carrying amounts will be recognized in profit or loss.

(e) Recognition of share-based payment expenses

As disclosed in Note 38, the Group issued restricted share units to certain eligible individuals under a share incentive scheme which resulted in the recognition of share-based payment expenses. Significant estimates on key assumptions are required to be made by management in determining the fair value of the issued shares on grant date, including discount rate and discount for lack of control.

5 Segment information

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

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns majority of the revenue from external customers in the PRC.

During the Track Record Period, all of the Group's revenues are from contracts with customers. Please refer to Note 2.22 for detail of accounting policies on revenue recognition.

During the Track Record Period, the Group's non-current assets other than financial instruments and deferred income tax assets were located in Mainland China and Korea as follows:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	62,479	72,329	68,841	85,594
Korea	124,171	121,345	108,856	99,038
	186,650	193,674	177,697	184,632

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Revenues

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Artist management	530,228	808,241	1,174,842	817,866	677,726
Music IP production and operation	74,734	92,719	77,738	51,505	58,187
Pan-entertainment business	26,474	21,082	37,869	25,756	16,716
	631,436	922,042	1,290,449	895,127	752,629

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

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue at a point in time	157,791	230,031	293,766	165,043	155,350
Revenue over time	473,645	692,011	996,683	730,084	597,279
	631,436	922,042	1,290,449	895,127	752,629

During the Track Record Period, there were no customers who contributed to 10% or more of the total revenue of the Group in each respective year.

Contract liabilities of the Group represent non-refundable advanced payments received from the customers for services that have not yet been transferred to the customers. Changes in the balances of such liabilities during the Track Record Period was mainly due to the growth of the Group's services and fluctuations in sales with advanced payments.

The following table shows how much of the revenue is recognized during the Track Record Period relates to carried-forward contract liabilities.

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognized that was included in contract liabilities at the beginning of each of the year/period	64,213	71,666	151,342	142,650	182,707

The amount of transaction prices allocated to the remaining unsatisfied or partially unsatisfied performance obligations during the Track Record Period are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Amount expected to be recognized as revenue:					
- Within one year	71,666	151,342	187,234	313,698	174,466
- More than one year but less than two years	31,569	50,899	52,851	72,342	23,360
	103,235	202,241	240,085	386,040	197,826

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Revenues—continued

As a practical expedient permitted under IFRS 15, the above balances do not include any estimated amounts of variable consideration that are constrained and not included in the transaction prices.

7 Expenses by nature

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue sharing for artist management business	240,774	318,653	529,193	368,748	322,887
Equity settled share-based payments (Note 38)	—	—	2,068	—	66,235
Employee benefits expenses other than equity settled share-based payments (Note 10)	44,103	48,848	67,819	50,685	41,326
Production costs of music content	27,002	41,608	45,737	27,001	36,600
Artist promotion costs	34,091	43,890	73,436	43,458	26,565
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Costs of inventories sold	441	1,388	1,606	1,098	633
Depreciation of property, plant and equipment (Note 15)	1,284	2,046	4,353	2,799	4,431
Depreciation of right-of-use assets (Note 17)	6,664	6,480	7,251	5,866	3,932
Traveling expenses	5,562	5,315	6,077	5,173	3,654
Taxes and surcharges	4,174	4,938	6,543	4,648	2,144
Rental expenses for short-term and low-value leases (Note 17)	1,581	2,219	2,939	2,105	1,958
Professional fees	1,412	3,443	2,002	1,442	1,491
Amortization of intangible assets (Note 18)	32,346	1,826	1,826	1,369	1,411
Advertising and promotion expenses	3,620	7,937	6,237	4,400	1,149
Depreciation of investment properties (Note 16)	67	200	192	146	132
Others	11,576	15,173	20,574	11,397	11,287
Total cost of revenue, selling and marketing expenses, and general and administrative expenses	414,697	503,964	794,543	536,525	545,372

8 Other income

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Tax credit of input tax additional deduction	760	2,007	3,519	2,789	2,467
Government subsidies	2,825	4,699	14,281	14,281	314
Rental income from investment properties (Note 16)	193	597	620	475	429
	3,778	7,303	18,420	17,545	3,210

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Other (losses)/gains, net

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net (losses)/gains on disposal of property, plant and equipment	(115)	171	41	41	(218)
Fair value losses on movies, drama series and variety programs (Note 21(b))	(54,907)	(31,736)	(33,659)	(30,170)	—
Fair value gains from wealth management products (Note 21(a))	12,147	14,019	20,894	15,200	9,975
Net gains/(losses) on disposal of right-of-use assets	2,843	—	(18)	(31)	21
Gain on liquidation of a subsidiary	—	—	218	218	—
Gains on disposal of associates	—	—	2,068	2,063	—
Net exchange gains/(losses)	36	(976)	1,556	(148)	(6,219)
Gain on deemed disposal of an associate	—	—	3,011	—	—
Fair value gains from a listed equity security (Note 21(d))	—	—	—	—	2,716
	(39,996)	(18,522)	(5,889)	(12,827)	6,275

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	35,064	40,608	56,483	41,842	32,380
Welfare, medical and other expenses	6,172	6,136	7,561	5,882	5,460
Contributions to pension plans	2,867	2,104	3,775	2,961	3,486
	44,103	48,848	67,819	50,685	41,326

(a) Pension costs – defined contribution plans

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

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

As at December 31, 2019, 2020 and 2021 and September 30, 2022, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)—continued

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Track Record Period include 1, 2, 2, 2 and 1 directors for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022 respectively, and their emoluments are reflected in the analysis shown in Note 10(c). The emoluments payable to the remaining 4, 3, 3, 3 and 4 individuals for the Track Record Period are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries, and bonuses	7,513	5,056	6,369	4,826	2,748
Pension costs – defined contribution plans	122	32	70	49	107
Other social security costs, housing benefits and other employee benefits	202	162	538	436	185
Equity settled share-based payments	—	—	302	—	13,228
	7,837	5,250	7,279	5,311	16,268

The emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021 (Unaudited)	2022
Emoluments bands:					
Nil to HKD1,000,000 (equivalent to approximately nil to RMB817,600)	—	—	—	—	—
HKD1,000,000 to HKD2,000,000 (equivalent to approximately RMB817,600 to RMB1,635,200)	2	1	—	1	—
HKD2,000,000 to HKD3,000,000 (equivalent to approximately RMB1,635,200 to RMB2,452,800)	—	2	1	2	—
HKD3,000,000 to HKD4,000,000 (equivalent to approximately RMB2,452,800 to RMB3,270,400)	2	—	2	—	—
HKD4,000,000 to HKD5,000,000 (equivalent to approximately RMB3,270,400 to RMB4,088,000)	—	—	—	—	1
HKD5,000,000 to HKD6,000,000 (equivalent to approximately RMB4,088,000 to RMB4,905,000)	—	—	—	—	3
	4	3	3	3	4

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Track Record Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)—continued

(c) Directors' and chief executive's emoluments

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

	Director's fee	Wages, salaries, and bonuses	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2019						
Chairlady and executive director:						
Ms. Du	—	620	50	73	—	743
Executive director:						
Mr. SUN Le	—	808	50	73	—	931
	—	1,428	100	146	—	1,674

	Director's fee	Wages, salaries, and bonuses	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2020						
Chairlady and executive director:						
Ms. Du	—	1,308	4	74	—	1,386
Executive director:						
Mr. SUN Le	—	1,184	4	73	—	1,261
	—	2,492	8	147	—	2,647

	Director's fee	Wages, salaries, and bonuses	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2021						
Chairlady and executive director:						
Ms. Du	—	1,669	57	81	—	1,807
Executive director:						
Mr. SUN Le	—	1,469	57	79	670	2,275
Mr. SUN Yiding	300	—	—	—	—	300
	300	3,138	114	160	670	4,382

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)—continued

	Director's fee	Wages, salaries, and bonuses	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
For the nine months ended September 30, 2021						
Chairlady and executive director:						
Ms. Du	—	1,251	44	61	—	1,356
Executive directors:						
Mr. SUN Le	—	1,094	44	59	—	1,197
Mr. SUN Yiding	225	—	—	—	—	225
	225	2,345	88	120	—	2,778

	Director's fee	Wages, salaries, and bonuses	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the the nine months ended September 30, 2022						
Chairlady and executive director:						
Ms. Du	—	518	42	60	—	620
Executive directors:						
Mr. SUN Le	—	407	42	60	7,007	7,516
Mr. SUN Yiding	—	457	36	51	—	544
Non-executive directors:						
Ms. Yao Lu	—	—	—	—	—	—
Mr. Meng Qingguang	—	—	—	—	—	—
Ms. Zhao Wenjie	—	—	—	—	—	—
	—	1,382	120	171	7,007	8,680

Ms. Du, Mr. SUN Le and Mr. SUN Yiding were appointed as directors of the Company on June 10, 2021, and were re-designated as the executive directors of the Company on March 3, 2022. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Ms. YAO Lu, Mr. MENG Qingguang and Ms. ZHAO Wenjie were appointed as the directors of the Company on January 28, 2022 and were re-designated as the non-executive directors of the Company on March 3, 2022. During the Track Record Period, they received nil directors' remuneration in the capacity of directors.

(d) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the Track Record Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Employee benefit expenses (including directors' emoluments and excluding equity settled share-based payments)—continued

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

No consideration provided to third parties for making available Directors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

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

Save as disclosed in Note 36, no loans, quasi-loans or other dealings are entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

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

Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

11 Finance costs, net

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
- Interest income from bank deposits	1,222	3,150	4,455	2,485	4,232
- Interest income from loans to third parties and a related party	—	543	760	525	274
	1,222	3,693	5,215	3,010	4,506
Finance costs					
- Interest expenses on bank borrowings	(539)	(2,037)	(1,853)	(1,412)	(1,684)
- Interest expenses on lease liabilities	(1,382)	(420)	(415)	(310)	(292)
- Interest expenses on redemption liabilities (Note 32)	—	(3,909)	(40,481)	(30,070)	(3,406)
	(1,921)	(6,366)	(42,749)	(31,792)	(5,382)
Finance costs – net	(699)	(2,673)	(37,534)	(28,782)	(876)

12 Income tax expense

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax					
- PRC corporate income tax	44,888	98,282	122,744	87,890	67,952
- Hong Kong profits tax	859	510	1,012	700	756
- Korea corporate income tax	4,328	3,440	2,295	2,043	1,637
Deferred income tax (Note 28)	(177)	(1,643)	(344)	143	(602)
Income tax expense	49,898	100,589	125,707	90,776	69,743

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Income tax expense—continued

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to subsidiaries comparing the Group as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax expense	169,231	392,535	461,039	327,501	1,414,408
Add: share of losses of investments accounted for using the equity method	9,217	2,697	6,568	6,261	1,795
	178,448	395,232	467,607	333,762	1,416,203
Tax calculated at the applicable tax rates of respective subsidiaries	48,329	98,316	99,784	69,047	49,583
Expenses not deductible for tax purposes	1,503	2,214	18,118	14,058	19,424
Tax losses not recognized for deferred tax assets	66	59	7,805	7,671	736
Income tax expense	49,898	100,589	125,707	90,776	69,743

(a) Hong Kong Profits Tax

Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profits up to HKD2,000,000; and 16.5% on any part of the estimated assessable profits over HKD2,000,000 during the Track Record Period.

(b) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the Track Record Period.

As stipulated in Cai Shui 2011 No. 112, enterprises newly established in Horgos special economic areas during the periods from January 1, 2010 to December 31, 2020 could enjoy corporate income tax ("CIT") exemption for five years starting from the year in which the first revenue was generated. According to the Filing Record of Preferential CIT《企業所得稅優惠事項備案表》, Horgos Yuehua, a subsidiary established in Horgos special economic areas, was entitled to such CIT exemption from January 1, 2016 to December 31, 2020.

As stipulated in Zang Zheng Fa 2018 No. 25, Zang Zheng Fa 2021 No. 9 and Zang Zheng Fa 2022 No. 11, enterprises established in Tibet that fulfilled certain criteria could enjoy overall preferential CIT rate of 9% during the periods from January 1, 2018 to December 31, 2025. Tibet Yuehua Culture Communication Co., Ltd., a subsidiary established in Tibet, was entitled to such CIT benefit during the periods from January 1, 2018 to September 30, 2022 , and will continue to be subject to such CIT benefit if it continues to meet certain criteria set forth in Zang Zheng Fa 2022 No. 11.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Income tax expense—continued

(c) Korea corporate income Tax

Korea corporate income tax has been provided at the rates of 11% on the first KRW200,000,000 (equivalent to approximately RMB1,186,000, RMB1,173,000, RMB1,124,000 and RMB1,040,000 during the Track Record Period) of the tax base, 22% up to KRW20,000,000,000 (equivalent to approximately RMB118,589,000, RMB117,266,000, RMB112,372,000 and RMB104,026,000 during the Track Record Period), 24.2% for amounts up to KRW300,000,000,000 (equivalent to approximately RMB1,778,832,000, RMB1,758,989,000, RMB1,685,583,000 and RMB1,560,387,000 during the Track Record Period) and 27.5% over KRW300,000,000,000 (equivalent to approximately RMB1,778,832,000, RMB1,758,989,000, RMB1,685,583,000 and RMB1,560,387,000 during the Track Record Period) on the estimated assessable profits of the Group's operations in Korea during the Track Record Period.

13 Dividends

Dividends in the 2020 represented dividends declared by the companies now comprising the Group to the then owners of the companies during the Track Record period after eliminating intra-group dividends. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

Pursuant to a written resolution passed in March 2022, the Company has issued a special dividend of USD62,997,000 (equivalent to approximately RMB399,320,000).

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividends declared and paid by Yuehua Limited to its then shareholders	—	200,000	—	—	—
Dividends declared and settled by the Company to its ordinary shareholders (Note 34(c))	—	—	—	—	202,053
Dividends declared and paid by the Company to its ordinary shareholders	—	—	—	—	57,898
Dividends declared and paid by the Company to the holders of convertible preferred shares	—	—	—	—	139,369
	—	200,000	—	—	399,320

14 Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

In determining the weighted average number of ordinary shares deemed to be in issue during the Track Record Period, 71,510,865 shares, being the number of ordinary shares issued by the Company on June 10, 2021 (date of incorporation), were deemed to have been allotted and issued on January 1, 2019 as if the Company has been incorporated by then, when computing the basic and diluted earnings per share for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 Earnings per share—continued

(a) Basic earnings per share

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	119,023	291,370	336,684	235,556	1,343,941
Weighted average number of ordinary shares in issue (Note 25)	71,510,865	71,510,865	71,510,865	71,510,865	71,510,865
Basic earnings per share (RMB)	1.66	4.07	4.71	3.29	18.79

(b) Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares pursuant to the convertible preferred shares (Note 33), which were deemed to have been allotted and issued on January 1, 2019 as if the Company has been incorporated by then. For restricted shares granted as detailed in Note 38, they are contingently issuable shares and have therefore been excluded in the calculation of diluted earnings per share as the relevant conditions for the issuance of these shares have not been satisfied.

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	119,023	291,370	336,684	235,556	1,343,941
Adjustment for interest expenses on redemption liabilities (Note 32) and fair value changes of convertible preferred shares (Note 33) (RMB'000)	—	3,909	40,481	30,071	(1,200,618)
Profit used to determine diluted earnings per share (RMB'000)	119,023	295,279	377,165	265,627	143,323
Weighted average number of ordinary shares in issue (Note 25)	71,510,865	71,510,865	71,510,865	71,510,865	71,510,865
Adjustment for convertible preferred shares (Note 33)	38,489,135	38,489,135	38,489,135	38,489,135	38,489,135
	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000
Diluted earnings per share (RMB)	1.08	2.68	3.43	2.41	1.30

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment

	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019							
Cost	—	—	778	2,297	3,791	—	6,866
Accumulated depreciation	—	—	(641)	(1,385)	(2,068)	—	(4,094)
Net book amount	—	—	137	912	1,723	—	2,772
Year ended December 31, 2019							
Opening net book amount	—	—	137	912	1,723	—	2,772
Additions	81,682	15,977	10	586	828	3,558	102,641
Depreciation charge	—	(133)	(131)	(361)	(600)	(59)	(1,284)
Disposal	—	—	—	(115)	—	—	(115)
Currency translation differences	1,408	273	(4)	(8)	(2)	60	1,727
Closing net book amount	83,090	16,117	12	1,014	1,949	3,559	105,741
At December 31, 2019							
Cost	83,090	16,252	777	2,407	4,618	3,619	110,763
Accumulated depreciation	—	(135)	(765)	(1,393)	(2,669)	(60)	(5,022)
Net book amount	83,090	16,117	12	1,014	1,949	3,559	105,741

	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020							
Cost	83,090	16,252	777	2,407	4,618	3,619	110,763
Accumulated depreciation	—	(135)	(765)	(1,393)	(2,669)	(60)	(5,022)
Net book amount	83,090	16,117	12	1,014	1,949	3,559	105,741
Year ended December 31, 2020							
Opening net book amount	83,090	16,117	12	1,014	1,949	3,559	105,741
Additions	—	—	215	379	72	2,878	3,544
Depreciation charge	—	(395)	(16)	(346)	(585)	(704)	(2,046)
Disposal	—	—	(2)	(44)	(129)	—	(175)
Currency translation differences	(476)	(102)	5	(5)	(1)	(37)	(616)
Closing net book amount	82,614	15,620	214	998	1,306	5,696	106,448
At December 31, 2020							
Cost	82,614	16,159	951	1,956	2,002	6,476	110,158
Accumulated depreciation	—	(539)	(737)	(958)	(696)	(780)	(3,710)
Net book amount	82,614	15,620	214	998	1,306	5,696	106,448

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment—continued

	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021							
Cost	82,614	16,159	951	1,956	2,002	6,476	110,158
Accumulated depreciation	—	(539)	(737)	(958)	(696)	(780)	(3,710)
Net book amount	82,614	15,620	214	998	1,306	5,696	106,448
Year ended December 31, 2021							
Opening net book amount	82,614	15,620	214	998	1,306	5,696	106,448
Additions	—	—	936	2,101	1,874	7,453	12,364
Depreciation charge	—	(379)	(60)	(487)	(598)	(2,829)	(4,353)
Disposal	—	—	(1)	(9)	—	—	(10)
Currency translation differences	(8,772)	(1,641)	(20)	(80)	(23)	(268)	(10,804)
Closing net book amount	73,842	13,600	1,069	2,523	2,559	10,052	103,645
At December 31, 2021							
Cost	73,842	14,443	1,786	3,807	3,846	13,547	111,271
Accumulated depreciation	—	(843)	(717)	(1,284)	(1,287)	(3,495)	(7,626)
Net book amount	73,842	13,600	1,069	2,523	2,559	10,052	103,645

	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)							
At January 1, 2021							
Cost	82,614	16,159	951	1,956	2,002	6,476	110,158
Accumulated depreciation	—	(539)	(737)	(958)	(696)	(780)	(3,710)
Net book amount	82,614	15,620	214	998	1,306	5,696	106,448
Nine months ended September 30, 2021							
Opening net book amount	82,614	15,620	214	998	1,306	5,696	106,448
Additions	—	—	46	1,025	1,420	7,453	9,944
Disposal	—	—	—	(1)	—	—	(1)
Depreciation charge	—	(288)	(34)	(344)	(420)	(1,713)	(2,799)
Currency translation differences	(7,299)	(1,368)	(17)	(62)	(3)	(228)	(8,977)
Closing net book amount	75,315	13,964	209	1,616	2,303	11,208	104,615
At September 30, 2021							
Cost	75,315	14,731	914	2,880	3,415	13,611	110,866
Accumulated depreciation	—	(767)	(705)	(1,264)	(1,112)	(2,403)	(6,251)
Net book amount	75,315	13,964	209	1,616	2,303	11,208	104,615

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment—continued

	Freehold land	Building	Furniture and office equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022							
Cost	73,842	14,443	1,786	3,807	3,846	13,547	111,271
Accumulated depreciation	—	(843)	(717)	(1,284)	(1,287)	(3,495)	(7,626)
Net book amount	73,842	13,600	1,069	2,523	2,559	10,052	103,645
Nine months ended September 30, 2022							
Opening net book amount	73,842	13,600	1,069	2,523	2,559	10,052	103,645
Additions	—	—	44	863	—	1,701	2,608
Depreciation charge	—	(266)	(166)	(735)	(551)	(2,713)	(4,431)
Disposal	—	—	—	(245)	—	—	(245)
Currency translation differences	(5,453)	(989)	(9)	(77)	(28)	(112)	(6,668)
Closing net book amount	68,389	12,345	938	2,329	1,980	8,928	94,909
At September 30, 2022							
Cost	68,389	13,376	1,768	4,247	3,809	15,010	106,599
Accumulated depreciation	—	(1,031)	(830)	(1,918)	(1,829)	(6,082)	(11,690)
Net book amount	68,389	12,345	938	2,329	1,980	8,928	94,909

Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of revenue	151	312	1,436	906	1,153
Selling and marketing expenses	350	544	1,113	1,184	1,552
General and administrative expenses	783	1,190	1,804	709	1,726
	1,284	2,046	4,353	2,799	4,431

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16 Investment properties

	Building	Freehold land	Total
	RMB'000	RMB'000	RMB'000
Year ended December 31, 2019			
Opening net book amount	—	—	—
Addition	8,084	7,999	16,083
Depreciation charge	(67)	—	(67)
Currency translation differences	138	138	276
Closing net book amount	8,155	8,137	16,292
At December 31, 2019			
Cost	8,222	8,137	16,359
Accumulated amortization	(67)	—	(67)
Net book amount	8,155	8,137	16,292
Year ended December 31, 2020			
Opening net book amount	8,155	8,137	16,292
Depreciation charge	(200)	—	(200)
Currency translation differences	(52)	(47)	(99)
Closing net book amount	7,903	8,090	15,993
At December 31, 2020			
Cost	8,176	8,090	16,266
Accumulated amortization	(273)	—	(273)
Net book amount	7,903	8,090	15,993
Year ended December 31, 2021			
Opening net book amount	7,903	8,090	15,993
Depreciation charge	(192)	—	(192)
Currency translation differences	(830)	(859)	(1,689)
Closing net book amount	6,881	7,231	14,112
At December 31, 2021			
Cost	7,307	7,231	14,538
Accumulated amortization	(426)	—	(426)
Net book amount	6,881	7,231	14,112
(Unaudited)			
Nine months ended September 30, 2021			
Opening net book amount	7,903	8,090	15,993
Depreciation charge	(146)	—	(146)
Currency translation differences	(691)	(715)	(1,406)
Closing net book amount	7,066	7,375	14,441
At September 30, 2021			
Cost	7,454	7,375	14,829
Accumulated amortization	(388)	—	(388)
Net book amount	7,066	7,375	14,441

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16 Investment properties—continued

	Building	Freehold land	Total
	RMB'000	RMB'000	RMB'000
Nine months ended September 30, 2022			
Opening net book amount	6,881	7,231	14,112
Depreciation charge	(132)	—	(132)
Currency translation differences	(502)	(534)	(1,036)
Closing net book amount	6,247	6,697	12,944
At September 30, 2022			
Cost	6,769	6,697	13,466
Accumulated amortization	(522)	—	(522)
Net book amount	6,247	6,697	12,944

Depreciation of the Group's investment properties has been recognized as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
General and administrative expenses	67	200	192	146	132

The valuation of the investment properties as at December 31, 2019, 2020 and 2021 and September 30, 2022 (including the related freehold land in Korea with net book value of approximately RMB8,137,000, RMB8,090,000, RMB7,231,000 and RMB6,697,000 respectively) were RMB16,442,000, RMB16,810,000, RMB15,882,000 and RMB14,898,000 respectively, which was determined by the directors of the Company on an open market value basis using the sales comparison approach.

17 Leases

(a) Amounts recognized in the statements of financial position

The statements of financial position show the following amounts relating to leases:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets				
- Buildings	8,983	14,151	9,451	8,201
- Motor vehicles	3,125	2,532	2,770	2,332
	12,108	16,683	12,221	10,533
Lease liabilities				
- Current	4,777	4,314	5,143	5,035
- Non-current	5,176	6,542	5,066	5,685
	9,953	10,856	10,209	10,720

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Leases—continued

(b) Right-of-use assets

	Building	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2019	29,449	3,458	32,907
Additions	8,388	559	8,947
Depreciation charge	(5,802)	(862)	(6,664)
Disposal	(22,987)	—	(22,987)
Currency translation differences	(65)	(30)	(95)
At December 31, 2019	8,983	3,125	12,108
As at January 1, 2020	8,983	3,125	12,108
Additions	10,758	343	11,101
Depreciation charge	(5,561)	(919)	(6,480)
Currency translation differences	(29)	(17)	(46)
At December 31, 2020	14,151	2,532	16,683
As at January 1, 2021	14,151	2,532	16,683
Additions	3,441	1,826	5,267
Depreciation charge	(6,237)	(1,014)	(7,251)
Disposal	(1,705)	(363)	(2,068)
Currency translation differences	(199)	(211)	(410)
At December 31, 2021	9,451	2,770	12,221
As at January 1, 2021	14,151	2,532	16,683
Additions	2,843	1,852	4,695
Depreciation charge	(5,098)	(768)	(5,866)
Disposal	(1,471)	(24)	(1,495)
Currency translation differences	(165)	(199)	(364)
At September 30, 2021	10,260	3,393	13,653
As at January 1, 2022	9,451	2,770	12,221
Additions	3,133	548	3,681
Depreciation charge	(3,127)	(805)	(3,932)
Disposal	(1,174)	(21)	(1,195)
Currency translation differences	(82)	(160)	(242)
At September 30, 2022	8,201	2,332	10,533

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Leases—continued

(c) Amounts recognized in profit or loss

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets					
- Buildings	5,802	5,561	6,237	5,098	3,127
- Motor vehicles	862	919	1,014	768	805
Interest expense (included in finance costs) (Note 11)	1,382	420	415	310	292
Expense relating to short-term low-value leases (Note 7)	1,581	2,219	2,939	2,105	1,958

The Group leases certain offices and motor vehicles. Rental contracts for offices are typically made for fixed periods of 24 months to 60 months. Rental contracts for motor vehicles are typically made for fixed periods of 48 months to 60 months.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes.

(d) Amounts recognized in profit or loss

	Year ended December 31,			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash outflows from operating activities					
- Payments for short-term leases (*)	1,581	2,219	2,939	2,105	1,958
Cash outflows from financing activities					
- Payment of principal and interest element of lease liabilities	5,787	10,618	4,279	3,596	2,287

* Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations which were presented in Note 34(a) using the indirect method.

(e) Variable lease payments

No variable payment terms are contained in the leases.

(f) Extension and termination options

Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Leases—continued

(g) Residual value guarantees

No residual value guarantees are provided in relation to leases.

18 Intangible assets

	Software	Music copyrights	Movie rights - under Production (a)	Movie rights - completed production (a)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019					
Cost	83	6,216	29,044	—	35,343
Accumulated amortization	(83)	(1,368)	—	—	(1,451)
Net book amount	—	4,848	29,044	—	33,892
Year ended December 31, 2019					
Opening net book amount	—	4,848	29,044	—	33,892
Addition	23	6,132	1,794	—	7,949
Transfer	—	—	(30,838)	30,838	—
Amortization charge	(2)	(1,506)	—	(30,838)	(32,346)
Closing net book amount	21	9,474	—	—	9,495
At December 31, 2019					
Cost	106	12,348	—	30,838	43,292
Accumulated amortization	(85)	(2,874)	—	(30,838)	(33,797)
Net book amount	21	9,474	—	—	9,495
Year ended December 31, 2020					
Opening net book amount	21	9,474	—	—	9,495
Amortization charge	(5)	(1,821)	—	—	(1,826)
Closing net book amount	16	7,653	—	—	7,669
At December 31, 2020					
Cost	106	12,348	—	30,838	43,292
Accumulated amortization	(90)	(4,695)	—	(30,838)	(35,623)
Net book amount	16	7,653	—	—	7,669
Year ended December 31, 2021					
Opening net book amount	16	7,653	—	—	7,669
Amortization charge	(5)	(1,821)	—	—	(1,826)
Closing net book amount	11	5,832	—	—	5,843
At December 31, 2021					
Cost	106	12,348	—	30,838	43,292
Accumulated amortization	(95)	(6,516)	—	(30,838)	(37,449)
Net book amount	11	5,832	—	—	5,843

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18 Intangible assets—continued

	Software	Music copyrights	Movie rights - under Production (a)	Movie rights - completed production (a)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Nine months ended September 30, 2021					
Opening net book amount	16	7,653	—	—	7,669
Amortization charge	(3)	(1,366)	—	—	(1,369)
Closing net book amount	13	5,832	—	—	6,300
At September 30, 2021					
Cost	106	12,348	—	30,838	43,292
Accumulated amortization	(93)	(6,061)	—	(30,838)	(36,992)
Net book amount	13	6,287	—	—	6,300
Nine months ended September 30, 2022					
Opening net book amount	11	5,832	—	—	5,843
Additions	102	—	—	—	102
Amortization charge	(46)	(1,365)	—	—	(1,411)
Closing net book amount	67	4,467	—	—	4,534
At September 30, 2022					
Cost	208	12,348	—	30,838	43,394
Accumulated amortization	(141)	(7,881)	—	(30,838)	(38,860)
Net book amount	67	4,467	—	—	4,534

(a) The balance of "movie rights-under production" as at January 1, 2019 represented the cumulative production costs incurred for a movie controlled by the Group and still under production then as at January 1, 2019.

The production of this movie was completed during the year ended December 31, 2019 and the entire carrying amount was then reclassified to "movie rights-completed production". This movie was publicly exhibited in theaters in the same year and the entire balance of "movie rights-completed production" was therefore fully amortized.

Depreciation of the Group's intangible assets has been recognized as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of revenue	32,344	1,821	1,821	1,366	1,366
General and administrative expenses	2	5	5	3	45
	32,346	1,826	1,826	1,369	1,411

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Investments accounted for using the equity method

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	49,898	43,014	46,081	46,081	39,076
Additions	2,333	5,788	—	—	15,500
Disposals (Note a)	—	—	(3,434)	(3,434)	(37,236)
Share of losses of investments accounted for using the equity	(9,217)	(2,697)	(6,568)	(6,261)	(1,795)
Deemed disposal gain from an associate (Note a)	—	—	3,011	—	—
Currency translation differences	—	(24)	(14)	(14)	—
At the end of the year/period	43,014	46,081	39,076	36,372	15,545

As at December 31, 2019, 2020 and 2021 and September 30, 2022, the associates of the Group, which were accounted for using equity method, were as follows:

				Percentage of ownership interest attributable to the group				
				As at December 31,			As at September 30,	
Company Name	Date of Incorporation	Principal activities and place of operation	Registered capital	2019	2020	2021	2022	As at the date of this report
Beijing Tianhao Shengshi Entertainment Culture Co., Ltd. (北京天浩盛世娛樂文化有限公司, "Beijing Tianhao")(Note a)	December 24, 2014	PRC; Cultural and artistic communication	RMB42,439,000	20.00%	20.00%	19.50%	—	—
Zhejiang Shengtenghui Brand Management Co., Ltd. (浙江盛騰輝品牌管理有限公司, "Zhejiang Shengtenghui")	November 19, 2018	PRC; Business management and marketing	RMB11,660,000	20.00%	20.00%	20.00%	20.00%	20.00%
Starsugar (Beijing) Technology Co., Ltd. (思蓮抒格 (北京) 科技有限公司, "Starsugar")	January 23, 2019	PRC; Technical and cultural service	RMB1,111,000	—	37.24%	37.24%	37.24%	37.24%
Hangzhou Agile Groups Network Technology Co., Ltd. (杭州小群網絡科技有限公司, "Hangzhou Agile")(Note b)	November 6, 2019	PRC; Food sales and technical service	RMB5,749,000	—	33.40%	9.08%	7.72%	7.72%
Agile Groups International (HK) Limited (小群國際 (香港) 有限公司, "Agile Groups")	December 31, 2019	Hong Kong; Food sales and technical service	HKD10,000	—	33.40%	—	—	—
Candy (Shanghai) Cosmetics Co., Ltd. (糖果（上海）化妝品有限公司, "Candy Cosmetics") (Note c)	May 21, 2020	PRC; Cosmetic sales and biotechnical service	RMB11,696,000	—	—	—	10.00%	10.00%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Investments accounted for using the equity method—continued

				Percentage of ownership interest attributable to the group				
				As at December 31,			As at September 30,	
Company Name	**Date of Incorporation**	**Principal activities and place of operation**	**Registered capital**	**2019**	**2020**	**2021**	**2022**	**As at the date of this report**
Beijing Wuyin Digital Technology Co., Ltd. (北京吾音數字科技有限公司, "Wuyin Digital")	June 30, 2022	PRC; Technology promotion and application service	RMB15,000,000	—	—	—	20.00%	20.00%
Hangzhou Xiaoguoyuan Network Information Technology Co., Ltd. (杭州小果元網絡信息技術有限公司, "Xiaoguoyuan")	April 26, 2022	PRC; Software and information technology services	RMB12,500,000	—	—	—	20.00%	20.00%

The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The Group determined that it does not have controlling interest in above investees, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There is no contingent liabilities relating to the Group's interest in the associates.

Note a: Deemed disposal gain of approximately RMB3,011,000 was recognized during the year ended December 31, 2021 with respect to the dilution of the Group's equity interest in Beijing Tianhao from 20% to 19.5% after new equity interests were issued by Beijing Tianhao to an independent third-party investor in December 2021. Management determined that the Group can exercise significant influence over Beijing Tianhao through the board representation, notwithstanding the shareholding is below 20%.

Pursuant to the dismantlement of contractual arrangements in respect of Horgos Yuehua and the deemed distribution which were accounted for as an equity transaction (i.e. distribution to owners), as detailed in Note 1.2(g)(i), the Group's investment in Beijing Tianhao held by Horgos Yuehua, together with other assets and liabilities of Horgos Yuehua, were fully derecognized and resulted in a total credit of approximately RMB565,000 to total equity with no impact to profit or loss. For details of the cash flow impact from this deemed distribution, please refer to Note 34 (d).

Note b: Management determined that the Group can exercise significant influence over Hangzhou Agile through the board representation, notwithstanding the shareholding is below 20%.

Note c: Management determined that the Group can exercise significant influence over Candy Cosmetics through the board representation, notwithstanding the shareholding is below 20%.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Investments accounted for using the equity method—continued

The following table reconciles the net assets of the Beijing Tianhao to the carrying amount of the Group's interest in the associates as at December 31, 2019, 2020 and 2021 and September 30, 2022:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Reconciliation to carrying amount:				
Opening net assets as at beginning of the year	109,338	65,780	68,930	56,245
(Loss)/profit for the year	(43,558)	3,150	(32,685)	(5,443)
Capital injection	—	—	20,000	—
Closing net assets as at end of the year	65,780	68,930	56,245	50,802
Percentage of interest	20.00%	20.00%	19.50%	19.50%
Interest in the associate	13,156	13,786	10,968	9,906
Goodwill	28,031	28,031	27,330	27,330
Disposal (Note a)	—	—	—	(37,236)
Carrying amount	41,187	41,817	38,298	—

With the assistance of valuation performed by a third-party independent valuer, and with reference to the latest round of financing by Beijing Tianhao with an independent third party investor towards the end of December 2021 which resulted in deemed disposal gain as detailed in Note a, the directors of the Company assessed that the recoverable amount of investment in Beijing Tianhao as at December 31, 2019, 2020 and 2021 was higher than the respective carrying amount of investment, and accordingly considered that there were no impairment in the carrying values of the Group's investment in Beijing Tianhao.

In addition to the interests in Beijing Tianhao disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Aggregate carrying amount of individually immaterial associates	1,827	4,264	778	771	15,545
Aggregate amounts of the Group's share of these associates' losses	(505)	(3,327)	(38)	(45)	(733)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20 Financial instruments by category

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortized cost				
Trade receivables (Note 23)	54,332	80,981	106,833	125,705
Prepayments and other receivables (excluding prepayments and other tax recoverables)	17,860	20,818	30,672	10,204
Cash and cash equivalents (Note 24)	616,662	651,924	546,559	663,476
Amounts due from shareholders (Notes 1.2(e) and 25)	—	—	344,600	—
	688,854	753,723	1,028,664	799,385
Financial assets at FVPL (Note 21)	79,986	215,513	450,885	336,410
	768,840	969,236	1,479,549	1,135,795
Financial liabilities				
Financial liabilities at amortized cost				
Trade payables (Note 30)	163,733	156,591	213,483	150,907
Other payables and accruals (excluding accrued payroll and employee benefit expenses, VAT and surcharges payable)	95,843	63,760	69,048	13,054
Lease liabilities (Note 17)	9,953	10,856	10,209	10,720
Borrowings (Note 29)	72,381	71,964	64,322	59,574
Redemption liabilities (Note 32)	—	570,995	611,476	—
	341,910	874,166	968,538	234,255
Financial liabilities at FVPL (Note 33)	—	—	—	1,307,230
	341,910	874,166	968,538	1,541,485

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets mentioned above.

21 Financial assets at fair value through profit or loss

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion				
Investments in wealth management products [(a)]	873	194,420	446,265	290,243
Investments in movies, drama series, and variety programs [(b)]	79,113	20,293	1,820	—
	79,986	214,713	448,085	290,243
Non-current portion				
Investments in unlisted equity securities [(c)]	—	800	2,800	31,452
Investment in a listed equity security [(d)]	—	—	—	14,715
	—	800	2,800	46,167
	79,986	215,513	450,885	336,410

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Financial assets at fair value through profit or loss—continued

(a) Investments in wealth management products

Movements in investments in wealth management products were as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	132,698	873	194,420	194,420	446,265
Additions	1,060,104	1,112,282	1,416,000	1,090,000	741,000
Disposals	(1,204,076)	(932,754)	(1,185,049)	(355,478)	(906,997)
Fair value changes (Note 9)	12,147	14,019	20,894	15,200	9,975
At the end of the year/period	873	194,420	446,265	944,142	290,243

The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at FVPL. Changes in fair value of these financial assets are recognized in "other (losses)/gains, net" in the consolidated statements of comprehensive income. For the fair value estimation, please refer to Note 3.3 for details.

As at December 31, 2019, 2020 and 2021 and September 30, 2022, all wealth management products mature within 1 year.

(b) Investments in movies, drama series and variety programs

Movements in investments in movies, drama series and variety programs were as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	108,574	79,113	20,293	20,293	1,820
Additions	49,710	10,483	38,418	31,584	—
Disposals	(24,264)	(37,567)	(23,232)	(18,997)	(1,820)
Fair value changes (Note 9)	(54,907)	(31,736)	(33,659)	(30,170)	—
At the end of the year/period	79,113	20,293	1,820	2,710	—

(c) Investments in unlisted equity securities

The Group's investments in unlisted equity securities included in financial assets at FVPL represent the investments in certain privately owned companies. For the fair value estimation, please refer to Note 3.3 for details.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Financial assets at fair value through profit or loss—continued

(c) Investments in unlisted equity securities—continued

Movements of investments in unlisted equity securities included in financial assets at FVPL were as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	—	—	800	800	2,800
Additions	—	800	2,000	1,000	26,938
Currency translation differences	—	—	—	—	1,714
At the end of the year/period	—	800	2800	1,800	31,452

(d) Investment in a listed equity security

The Group's investment in a listed equity security included in financial assets at FVPL represent the investment in a certain public company. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investment in a listed equity security included in financial assets at FVPL were as follows:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	—	—	—	—	—
Additions	—	—	—	—	11,999
Fair value changes (Note 9)	—	—	—	—	2,716
At the end of the year/period	—	—	—	—	14,715

22 Inventories

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Artist-related merchandises and other materials	2,096	1,108	1,132	4,130

No write-downs of inventories to net realizable value were charged to the consolidated statements of comprehensive income during the Track Record Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 Trade receivables, prepayments and other receivables

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables [(a)]	60,069	95,200	123,877	146,912
Less: allowance for impairment (Note 3.1)	(5,737)	(14,219)	(17,044)	(21,207)
Trade receivables – net	54,332	80,981	106,833	125,705
Deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Prepayments for acquisitions of property, plant and equipment	—	2,371	—	—
Others	1,113	1,916	3,099	2,680
Prepayments	1,113	4,287	8,255	7,955
Loans to third parties and a related party [(b)]	11,021	13,668	21,875	3,811
Rental and other deposits	3,749	4,519	6,380	5,838
Other tax recoverables	1,289	4,831	11,961	9,725
Others	3,450	3,048	3,241	864
Less: allowance for impairment (Note 3.1)	(360)	(417)	(824)	(309)
Other receivables - net	19,149	25,649	42,633	19,929
Total prepayments and other receivables	20,262	29,936	50,888	27,884
Less: Non-current deposits and prepayments	(2,446)	(3,694)	(2,158)	(1,123)
Current portion	17,816	26,242	48,730	26,761

(a) Movements on the Group's allowance for impairment of trade receivables are disclosed in Note 3.1.

(b) As at December 31, 2019, 2020 and 2021 and September 30, 2022, loans to third parties and a related party are unsecured and repayable on demand. Except for a loan amounting to approximately RMB10,000,000 which bear interest at 7% per annum as at December 31, 2020 and 2021, and a loan amounting to approximately RMB7,000,000 which bear interest at China's one-year loan prime rate per annum as at December 31, 2021, the remaining loans are interest-free.

The Group normally allows nil to 30 days credit period to its customers. Aging analysis of trade receivables as at December 31, 2019, 2020 and 2021 and September 30, 2022 is as follows:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Aging				
Up to 3 months	39,901	75,620	96,786	80,183
3 to 6 months	4,741	7,561	7,293	31,201
6 months to 1 year	477	117	6,867	22,430
1 to 2 years	6,957	1,000	2,536	2,703
2 to 3 years	7,993	1,062	—	—
Over 3 years	—	9,840	10,395	10,395
	60,069	95,200	123,877	146,912

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Cash and cash equivalents

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank [(a)]	616,662	651,924	546,559	663,476
Maximum exposure to credit risk	616,662	651,924	546,559	663,476

(a) Cash at bank was denominated in the following currencies:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	598,410	631,802	508,594	630,201
USD	17,314	1,211	6,118	22,009
KRW	734	18,584	31,340	10,653
HKD	100	19	45	147
EUR	104	308	462	466
	616,662	651,924	546,559	663,476

25 Share capital and combined capital

(a) Share capital

Authorized:

	Number of ordinary shares	Nominal value of ordinary shares
		USD
As at June 10, 2021 (incorporation date of the Company), December 31, 2021 and September 30, 2022 [(a)]	500,000,000	50,000

Issued:

	Number of shares	Nominal value	Share capital	Treasury shares	Total
		USD	RMB'000	RMB'000	RMB'000
As at June 10, 2021 (incorporation date of the Company) [(b)]	71,510,865	7,151	46	—	46
Issuance of ordinary shares for restricted share unit scheme [(c)]	1,542,500	154	—*	—	—*
Less: Treasury shares for restricted share unit scheme [(c)]	(1,542,500)	(154)	—*	—	—*
As at December 31, 2021	71,510,865	7,151	46	—	46
As at January 1, 2022	73,053,365	7,305	46	—	46
Issuance of ordinary shares for Reorganization (Note 1.2f(i))	1,100,000	110	—*	—	—*
Cancellation of ordinary shares for Reorganization (Note 1.2f(i))	(1,100,000)	(110)	—*	—	—*
Issuance of ordinary shares for restricted share unit scheme [(d)]	4,247,500	425	4	—	4
Less: Treasury shares for restricted share unit scheme [(d)]	(5,790,000)	(579)	—	(4)	(4)
As at September 30, 2022	71,510,865	7,151	50	(4)	46

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Share capital and combined capital—continued

* The balance was rounded to the nearest thousand.

(a) The Company was incorporated in the Cayman Islands on June 10, 2021 with authorized share capital of USD50,000 divided into 500,000,000 shares of a par value of USD0.0001 each.

(b) On June 10, 2021, 71,510,865 ordinary shares were issued for approximately USD0.0001 pursuant to the Group's Reorganization as detailed in Note 1.2(a). As at December 31, 2021, total issued number and nominal value of ordinary share of the Company amounted to 71,510,865 share and USD7,151 (equivalent to approximately RMB46,000), respectively.

(c) On December 10, 2021, 1,542,500 ordinary shares were issued by the Company to ARK Trust (Hong Kong) Limited, a trustee for the administration for the 2021 share incentive plan of the Company (Note 38) and therefore the ordinary shares issued were presented as treasury shares.

(d) On March 4, 2022, 4,247,500 ordinary shares were issued by the Company to LIGHTSTONE TRUST(HONG KONG) LIMITED, a trustee for the administration for the 2021 share incentive plan of the Company (Note 38) and therefore the ordinary shares issued were presented as treasury shares.

(b) Combined capital

The Reorganization has not been completed as at December 31, 2021. Combined capital as at December 31, 2019, 2020 and 2021 represented the combined capital of the companies now comprising the Group after the elimination of inter-company investments. The balance of combined capital of RMB110,046,000 was reclassified to share capital and other reserves upon the completion of the Reorganization (Note 1.2).

26 Reserves

	Share premium and other reserves	Surplus reserve	Exchange reserve	Share-based compensation reserve	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	70,026	15,780	(1,265)	—	84,541
Appropriation for statutory surplus reserve [(a)]	—	200	—	—	200
Currency translation differences	—	—	(420)	—	(420)
As at December 31, 2019	70,026	15,980	(1,685)	—	84,321
As at January 1, 2020	70,026	15,980	(1,685)	—	84,321
Capital injection by non-controlling interests	1,247	—	—	—	1,247
Appropriation for statutory surplus reserve [(a)]	—	24,974	—	—	24,974
Redesignation of ordinary shares to redemption liabilities as a result of additional redemption rights granted to certain then shareholders of Yuehua Limited (Note 32)	(567,086)	—	—	—	(567,086)
Currency translation differences	—	—	1,257	—	1,257
As at December 31, 2020	(495,813)	40,954	(428)	—	(455,287)
As at January 1, 2021	(495,813)	40,954	(428)	—	(455,287)
Appropriation for statutory surplus reserve [(a)]	—	6	—	—	6
Issuance of shares by the Company	46	—	—	—	46
Equity settled share-based payments (Note 38)	—	—	—	2,068	2,068
Currency translation differences	—	—	(6,706)	—	(6,706)
As at December 31, 2021	(495,767)	40,960	(7,134)	2,068	(459,873)
(Unaudited)					
As at January 1, 2021	(495,813)	40,954	(428)	—	(455,287)
Issuance of shares by the Company	46	—	—	—	46
Currency translation differences	—	—	(4,717)	—	(4,717)
As at September 30, 2021	(495,767)	40,954	(5,145)	—	(459,958)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26 Reserves—continued

	Share premium and other reserves	Surplus reserve	Exchange reserve	Share-based compensation reserve	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	(495,767)	40,960	(7,134)	2,068	(459,873)
Reorganization—exchange redemption liabilities with convertible preferred shares (Note 32 & 33)	(1,869,521)	—	—	—	(1,869,521)
Reclassification of combined capital to share capital and other reserves upon the completion of Reorganization	110,000	—	—	—	110,000
Dividends settled to the ordinary shareholders of the Company (Note 13 & Note 34(b))	(202,053)	—	—	—	(202,053)
Dividends paid to the ordinary shareholders of the Company (Note 13)	(57,898)	—	—	—	(57,898)
Deemed distribution to the shareholders of the Company (Note 1.2(g)(i))	565	—	—	—	565
Equity settled share-based payments (Note 38)	—	—	—	66,235	66,235
Currency translation differences	—	—	(143,630)	—	(143,630)
Acquisition of non-controlling interests of a subsidiary	(326)	—	—	—	(326)
As at September 30, 2022	(2,515,000)	40,960	(150,764)	68,303	(2,556,501)

(a) Appropriation for statutory surplus reserve

In accordance with the PRC Company Law and the articles of association, the PRC subsidiaries of the Group are required to appropriate 10% of its profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalized as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalization shall not be less than 25% of its capital.

27 Retained earnings

Movements in retained earnings were as follows:

	As at December 31,			As at September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	140,454	259,277	325,673	325,673	662,351
Profit for the year/period	119,023	291,370	336,684	235,556	1,343,941
Appropriation for statutory surplus reserve (Note 26(a))	(200)	(24,974)	(6)	—	—
Dividends paid to then shareholders of Yuehua Limited	—	(200,000)	—	—	—
At the end of the year/period	259,277	325,673	662,351	561,229	2,006,292

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
- Deferred income tax assets to be recovered after more than 12 months	2,331	3,447	2,637	1,564
- Deferred income tax assets to be recovered within 12 months	1,338	2,987	3,183	3,701
Set-off of deferred income tax liabilities pursuant to set-off provision	(2,477)	(3,592)	(2,717)	(1,596)
Net deferred income tax assets	1,192	2,842	3,103	3,669
Deferred income tax liabilities:				
- Deferred income tax liability to be recovered after more than 12 months	495	611	380	259
- Deferred income tax liability to be recovered within 12 months	1,982	2,981	2,337	1,337
Set-off of deferred income tax assets pursuant to set-off provision	(2,477)	(3,592)	(2,717)	(1,596)
Net deferred income tax liabilities	—	—	—	—

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at January 1, 2019	Credited/ (charged) to profit or loss	Currency translation differences	As at December 31, 2019
	RMB'000	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	679	216	(1)	894
- Lease liabilities	7,216	(4,881)	(4)	2,331
- Others	281	162	1	444
	8,176	(4,503)	(4)	3,669
Deferred income tax liabilities				
- Right-of-use assets	7,160	(4,680)	(3)	2,477

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 Deferred income tax—continued

	As at January 1, 2020	Credited/ (charged) to profit or loss	Currency translation differences	As at December 31, 2020
	RMB'000	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	894	1,305	6	2,205
- Lease liabilities	2,331	1,115	1	3,447
- Others	444	337	1	782
	3,669	2,757	8	6,434
Deferred income tax liabilities				
- Right-of-use assets	2,477	1,114	1	3,592

	As at January 1, 2021	Credited/ (charged) to profit or loss	Currency translation differences	As at December 31, 2021
	RMB'000	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	2,205	502	(18)	2,689
- Lease liabilities	3,447	(756)	(54)	2,637
- Others	782	(220)	(68)	494
	6,434	(474)	(140)	5,820
Deferred income tax liabilities				
- Right-of-use assets	3,592	(818)	(57)	2,717

	As at January 1, 2021	Credited/ (charged) to profit or loss	Currency translation differences	As at September 30, 2021
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	2,205	(36)	(20)	2,149
- Lease liabilities	3,447	(690)	143	2,900
- Others	782	(164)	(62)	556
	6,434	(890)	61	5,605
Deferred income tax liabilities				
- Right-of-use assets	3,592	(747)	137	2,982
	3,592	(747)	137	2,982

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 Deferred income tax—continued

	As at January 1, 2022	Credited/ (charged) to profit or loss	Credited to Reserves	As at September 30, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
- Impairment provisions	2,689	707	(8)	3,388
- Lease liabilities	2,637	(1,085)	12	1,564
- Others	494	(154)	(27)	313
	5,820	(532)	(23)	5,265
Deferred income tax liabilities				
- Right-of-use assets	2,717	(1,134)	13	1,596

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. The Group did not recognize deferred income tax assets in respect of tax losses amounting to approximately RMB111,305,000, RMB144,571,000, RMB151,154,000 and RMB3,992,000 as at December 31, 2019, 2020, 2021 and September 30, 2022 in certain Group's subsidiaries, which can be carried forward to offset against future taxable income, all of which will expire within 5 years.

The PRC subsidiaries of the Group have undistributed earnings of approximately RMB433,275,000, RMB519,918,000, RMB867,635,000 and RMB832,281,000 as at December 31, 2019, 2020, 2021 and September 30, 2022 respectively, which, if paid out as dividends, would be subject to tax in the hands of the recipient. Assessable temporary differences exist, but no deferred tax liabilities have been recognized as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

29 Borrowings

	As at December 31,			As at September 30, 2022
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank borrowings	—	—	64,322	—
Non-current				
Bank borrowings	72,381	71,964	—	59,574
	72,381	71,964	64,322	59,574

As at December 31, 2019, 2020, 2021 and September 30, 2022, the Group's bank borrowing was denominated in KRW, and secured by certain property, plant and equipment amounting to RMB99,207,000, RMB98,234,000, RMB87,442,000 and RMB80,734,000, respectively, and investment properties amounting to RMB16,292,000, RMB15,993,000, RMB14,112,000 and RMB12,944,000, respectively, with floating interest rates of 3.21% to 3.23%, 2.11% to 3.21%, 2.14% to 2.76% and 2.14% to 4.12% per annum, respectively. As at December 31, 2019, 2020 and 2021, the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29 Borrowings—continued

bank borrowing was repayable on September 30, 2022. Pursuant to extension of loan during the nine months ended September 30, 2022, the repayment date of the bank borrowing was extended to August 29, 2025.

The repayment terms of the bank borrowings are as follows:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	—	—	64,322	—
1 to 2 years	—	71,964	—	—
2 to 5 years	72,381	—	—	59,574
	72,381	71,964	64,322	59,574

30 Trade payables

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	163,733	156,591	213,483	150,907

Aging analysis of trade payables as at December 31, 2019, 2020, 2021 and September 30, 2022 is as follows:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Aging				
Up to 3 months	49,179	125,756	113,355	73,548
3 to 6 months	58,004	16,812	76,079	55,801
6 months to 1 year	33,829	2,002	13,545	9,835
Over 1 year	22,721	12,021	10,504	11,723
	163,733	156,591	213,483	150,907

The carrying amounts of the trade payables approximate their fair values due to their short-term maturities.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Other payables and accruals

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Accrual for payroll, employee benefit and other expenses	17,521	20,540	30,665	12,536
VAT and surcharges payable	13,110	16,596	9,619	6,730
Payables in respect of sharing in the receipts from movies and variety programs	18,816	16,949	19,780	8,703
Payables in respect of investments received for canceled licensing arrangement	8,925	—	—	—
Payables in respect of canceled events	7,547	7,547	—	—
Loans from a third party and related parties (a)	21,573	—	—	—
Payables in respect of investments in movies	33,204	33,204	33,204	—
Dividend payable (b)	1,875	—	—	—
[REDACTED] payable and accrual	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	3,903	6,060	5,960	1,502
	126,474	100,896	109,332	32,320

(a) Loans from a third party and related parties are unsecured, interest free, and repayable on demand or in one year. These loans were fully repaid in 2020.

(b) The balance represented dividends declared by Yuehua Limited to its then shareholders prior to the Track Record Period but not yet settled as at December 31, 2019. The balance was fully settled during the year ended December 31, 2020.

32 Redemption liabilities

Pursuant to a shareholders' agreement signed on November 16, 2020, certain shareholders of Yuehua Limited were granted preferential rights to require the Group to repurchase the shares of Yuehua Limited held by them in full or in part when certain conditions are met in future dates. The purchase prices were either a fixed amount, or determined by making reference to the fair value of the equity shares of Yuehua Limited in future periods, or calculated using simple interest basis.

The key terms of the preferential rights are summarized below:

- Liquidation preferences

In the event of any liquidation, dissolution or winding up of Yuehua Limited, either voluntarily or involuntarily, certain preferred shareholders shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of Yuehua Limited to the remaining shareholders. The liquidation preference amount for each preferred shareholders is calculated as follows:

The liquidation amount = the investment cost of respective preferred shareholders * (1 + 10%)N + all declared but unpaid dividends on such respective preferred shares

N = The total days from the delivery date to the actual payment date of the settlement/365 days

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Redemption liabilities—continued

After distributing or paying in full the liquidation preference amount to all of the preferred shareholders, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares and the preferred shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis.

A liquidation event means (i) any liquidation, dissolution or winding up, either voluntarily or involuntarily, of Yuehua Limited and (ii) any transaction involving (a) any sale, disposition, lease or conveyance by Yuehua Limited of all or substantially all of its assets (including the intangible assets that would cast significant influence on Yuehua Limited's operations); or (b) any merger or consolidation of Yuehua Limited with or into any other corporation or corporations or other entity or entities or any other corporate reorganization after which the holders of Yuehua Limited's voting shares prior to such transaction own or control less than a Majority (means more than 50% of votes of each class of shares or more than 50% of votes of the Directors) of the outstanding voting shares of the surviving corporation or other entity on account of shares held by them prior to the transaction; (c) the change of controlling shareholders of Yuehua Limited.

- Redemption rights

The preferred shareholders have the rights to require Yuehua Limited to redeem the shares when the following events happen:

(1) Yuehua Limited failed to complete qualified **[REDACTED]** on or prior to December 31, 2022, September 30, 2024 or October 31, 2024.

(2) The controlling shareholder of Yuehua Limited has material integrity issues.

(3) The controlling shareholder of Yuehua Limited has materially breached the shareholders' agreement signed on November 16, 2020.

(4) The controlling shareholder of Yuehua Limited has materially breached applicable laws.

(5) The controlling shareholder of Yuehua Limited hold less than 40% of shareholding of Yuehua Limited.

The respective redemption amounts of the three preferred shareholders are, respectively, (i) higher of RMB150,000,000 or fair value of the shares then held by the preferred shareholders (with the overall valuation of Yuehua Limited and its subsidiaries capped at RMB2,100,000,000); (ii) RMB149,700,000; (iii) investment cost * (1 + higher of Loan Prime Rate at actual payment date of the settlement and Loan Prime Rate at November 16, 2020) * N

N: The total days from the delivery date to the actual payment date of the redemption/365 days

As a result of the aforementioned additional rights, the Group redesignated the ordinary shares of Yuehua Limited held by these certain shareholders as redemption liabilities which were initially recognized at the present value of the estimated future cash outflows under the redemption arrangement.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Redemption liabilities—continued

Upon the initial recognition of redemption liabilities amounting to approximately RMB567,086,000, the Group recognized a debit of approximately RMB567,086,000 to equity.

The redemption liabilities were subsequently carried at amortized cost and accreted to the redemption amounts as indicated in the shareholders' agreement. The accretion charges were recognized as interest expenses under "Finance costs, net".

Movement of the redemption liabilities is as follows:

	As at December 31,		As at September 30,	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	—	570,995	570,995	611,476
Redesignation of ordinary shares to redemption liabilities as a result of additional redemption rights granted to certain existing shareholders	567,086	—	—	—
Interest expenses on redemption liabilities (Note 11)	3,909	40,481	30,071	3,406
Derecognition of redemption liabilities (Note 33)	—	—	—	(614,882)
At the end of the year/period	570,995	611,476	601,066	—

The statements of financial position show the following amounts relating to redemption liabilities:

	As at December 31,		As at September 30,	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Redemption liabilities				
—Current	—	123,274	121,175	—
—Non-current	570,995	488,202	479,891	—
	570,995	611,476	601,066	—

33 Financial liabilities at fair value through profit or loss

On January 28, 2022, as part of the Group's Reorganization as detailed in Note 1.2(f) to reflect the onshore shareholding structure, the Company entered into a preferred share subscription agreement with the offshore affiliates of CMC, Quantum Jump and Dongyang Alibaba Pictures pursuant to which 16,500,135 Series A-1 Preferred Shares, 5,489,000 Series A-2 Preferred Shares and 16,500,000 Series A-3 Preferred Shares, respectively, at an issuance price of US$1.36, US$2.65 and US$3.59 per share, was subscribed by for a total consideration of US$85,947,297 (equivalent to approximately RMB544,751,000), which approximated the consideration paid by the Group to these institutional shareholders to acquire the shares (with preferred rights as explained in Note 32) of Yuehua Limited as detailed in Note 1.2 (e)(i) and (ii) and settled the amounts due from these institutional shareholders as part of the Reorganization.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33 Financial liabilities at fair value through profit or loss—continued

On the same day, the aforementioned Series A-1, A-2 and A-3 Preferred Shares were issued and recognized at their initial fair value of RMB2,484,403,000, while the redemption liabilities with then carrying amount of RMB 614,882,000 were derecognized, and the differences amounting to RMB1,869,521,000 were recognized in equity.

The key terms of the convertible preferred shares mirror those preferential rights described in Note 32, including but not limited to liquidation preferences and redemption rights. The additional term is the conversion right of which the key terms are summarized as below:

- Conversion rights

  Each Preferred Share may, at the option of the holder there of, be converted at any time after the date of issuance of such preferred shares into ordinary shares based on the applicable then-effective conversion price at an initial conversion ratio of 1:1 subject to: (i) adjustment for subdivision or consolidation of shares; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; (iv) adjustments for reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions; (v) adjustments for dilutive issuance (issuance of new securities below the conversion price).

  Each Series A-1, A-2 and A-3 Preferred Share shall automatically be converted into Ordinary Share based on the applicable then-effective Series A-1, A-2 and A-3 conversion price for such Series A-1, A-2 and A-3 Preferred Share in effect at the time immediately upon the closing of the **[REDACTED]**.

The movements of the convertible preferred shares are set out as below:

	As at December 31,		As at September 30,	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	—	—	—	—
Issuance of Series A-1, A-2 and A-3 Preferred Shares	—	—	—	2,484,403
Fair value changes	—	—	—	(1,204,024)
Dividends paid to the holders of Series A-1, A-2 and A-3 Preferred Shares (Note 13)	—	—	—	(139,369)
Currency translation differences	—	—	—	166,220
At the end of the year/period	—	—	—	1,307,230

The statements of financial position show the following amounts relating to convertible preferred shares:

	As at December 31,		As at September 30,	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Convertible preferred shares				
—Current	—	—	—	187,371
—Non-current	—	—	—	1,119,859
	—	—	—	1,307,230

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33 Financial liabilities at fair value through profit or loss—continued

The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the Series A-1, A-2, A-3 Preferred Shares. Key assumptions are set as below:

	As at September 30, 2022
	RMB'000
Discount rate	12.00%
Risk-free interest rate	4.22%
Discount for lack of marketability	5.40%
Expected volatility	40.65%

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A-1, A-2, A-3 Preferred Shares on each appraisal date.

Increasing/decreasing expected volatility by 5% would increase/decrease the fair value of Series A-1, A-2, A-3 Preferred Shares by approximately RMB578,000 and RMB530,000 respectively. Increasing/decreasing discount rate by 1% would decrease/increase the fair value by approximately RMB93,856,000 and RMB117,500,000 respectively.

34 Cash flow information

(a) Cash generated from operations

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	169,231	392,535	461,039	327,501	1,414,408
Adjustments for:					
- Share of losses of investments accounted for using the equity method	9,217	2,697	6,568	6,261	1,795
- Depreciation of property, plant and equipment	1,284	2,046	4,353	2,799	4,431
- Depreciation of investment properties	67	200	192	146	132
- Amortization of intangible assets	32,346	1,826	1,826	1,369	1,411
- Depreciation of right-of-use assets	6,664	6,480	7,251	5,866	3,932
- Net (gains)/losses on disposal of right-of-use assets	(2,843)	—	18	31	(21)
- Net losses/(gains) on disposal of property, plant and equipment	115	(171)	(41)	(41)	218
- Gain on liquidation of a subsidiary	—	—	(218)	(218)	—
- Gain on disposal of associates	—	—	(2,068)	(2,063)	—
- Gain on deemed disposal of an associate	—	—	(3,011)	—	—
- Fair value losses/(gains) on financial assets at fair value through profit or loss	42,760	17,717	12,765	14,970	(12,691)
- Interest income on bank deposits and loans to third parties and a related party	(1,222)	(3,693)	(5,215)	(3,010)	(4,506)
- Interest expenses on lease liabilities	1,382	420	415	310	292

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Cash flow information—continued

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
- Interest expenses on redemption liabilities	—	3,909	40,481	30,070	3,406
- Interest expenses on bank borrowings	539	2,037	1,853	1,412	1,684
- Net impairment losses on financial assets	1,374	8,954	3,296	776	3,687
- Equity settled share-based payments	—	—	2,068	—	66,235
- Fair value changes of convertible preferred shares	—	—	—	—	(1,204,024)
Operating cashflows before changes in working capital	260,914	434,957	531,572	386,179	280,389
Changes in working capital:					
- Inventories	121	988	(24)	(58)	(2,998)
- Trade receivables	(296)	(35,532)	(28,797)	5,848	(19,165)
- Deposits, prepayments and other receivables	704	(7,084)	(7,236)	(5,939)	2,552
- Contract liabilities	(11,300)	99,006	37,844	183,799	(39,997)
- Trade payables	39,712	(7,142)	56,892	21,907	(62,497)
- Other payables and accruals	17,852	(2,130)	8,279	(7,587)	(24,487)
Cash generated from operations	307,707	483,063	598,530	584,149	133,797

(b) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions save as those disclosed in Note 34(c) during the Track Record Period.

(c) Reconciliation of liabilities generated from financing activities

	Lease liabilities	Bank borrowings	Loans from a third party and related parties	Dividend payable	Redemption liabilities	Convertible preferred shares
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	31,241	29,653	19,580	1,875	—	—
Interest expenses on lease liabilities	1,382	—	—	—	—	—
Cash flows						
Proceeds from borrowings	—	71,153	2,685	—	—	—
Repayment of borrowings	—	(29,697)	(881)	—	—	—
Payment for lease liabilities—principal and interest	(5,787)	—	—	—	—	—
Other non-cash movements						
Additions of lease liabilities	9,042	—	—	—	—	—
Disposal of lease liabilities	(25,830)	—	—	—	—	—
Currency translation difference	(95)	1,272	189	—	—	—
As at December 31, 2019	9,953	72,381	21,573	1,875	—	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Cash flow information—continued

	Lease liabilities	Bank borrowings	Loans from a third party and related parties	Dividend payable	Redemption liabilities	Convertible preferred shares
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2020	9,953	72,381	21,573	1,875	—	—
Interest expenses on lease liabilities	420	—	—	—	—	—
Interest expenses on redemption liabilities	—	—	—	—	3,909	—
Dividend declared	—	—	—	200,000	—	—
Cash flows						
Payment for lease liabilities-principal and interest	(10,618)	—	—	—	—	—
Dividend paid	—	—	—	(201,875)	—	—
Repayment of borrowings	—	—	(21,208)	—	—	—
Other non-cash movements						
Redesignation of ordinary shares to redemption liabilities as a result of additional redemption rights granted to certain existing shareholders	—	—	—	—	567,086	—
Additions of lease liabilities	11,147	—	—	—	—	—
Currency translation difference	(46)	(417)	(365)	—	—	—
As at December 31, 2020	10,856	71,964	—	—	570,995	—
As at January 1, 2021	10,856	71,964	—	—	570,995	—
Interest expenses on lease liabilities	415	—	—	—	—	—
Interest expenses on redemption liabilities	—	—	—	—	40,481	—
Cash flows						
Payment for lease liabilities—principal and interest	(4,279)	—	—	—	—	—
Other non-cash movements						
Additions of lease liabilities	5,677	—	—	—	—	—
Disposal of lease liabilities	(2,050)	—	—	—	—	—
Currency translation difference	(410)	(7,642)	—	—	—	—
As at December 31, 2021	10,209	64,322	—	—	611,476	—
As at January 1, 2021	10,856	71,964	—	—	570,995	—
Interest expenses on lease liabilities	310	—	—	—	—	—
Interest expenses on redemption liabilities	—	—	—	—	30,071	—
Cash flows						
Payment for lease liabilities-principal and interest	(3,596)	—	—	—	—	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Cash flow information—continued

	Lease liabilities	Bank borrowings	Loans from a third party and related parties	Dividend payable	Redemption liabilities	Convertible preferred shares
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other non-cash movements						
Additions of lease liabilities	5,059	—	—	—	—	—
Disposal of lease liabilities	(1,526)	—	—	—	—	—
Currency translation difference	(364)	(6,358)	—	—	—	—
As at September 30, 2021	10,739	65,606	—	—	601,066	—
As at January 1, 2022	10,209	64,322	—	—	611,476	—
Interest expenses on lease liabilities	292	—	—	—	—	—
Interest expenses on redemption liabilities	—	—	—	—	3,406	—
Dividend declared	—	—	—	259,951	—	—
Cash flows						
- Dividends paid	—	—	—	(57,898)	—	(139,369)
- Payment for lease liabilities-principal and interest	(2,287)	—	—	—	—	—
Other non-cash movements						
- Additions of lease liabilities	3,922	—	—	—	—	—
- Disposal of lease liabilities	(1,174)	—	—	—	—	—
- Off-setting of dividends payable (Note (i))	—	—	—	(202,053)	—	—
- Reorganization—derecognition of redemption liabilities (Note 32)	—	—	—	—	(614,882)	—
- Reorganization—issuance of convertible preferred shares (Note 33)	—	—	—	—	—	2,484,403
- Fair value changes of convertible preferred shares (Note 33)	—	—	—	—	—	(1,204,024)
- Currency translation difference	(242)	(4,748)	—	—	—	166,220
As at September 30, 2022	10,720	59,574	—	—	—	1,307,230

Note (i): During the nine months ended September 30, 2022, dividend payable of RMB 202,053,000 to individual shareholders of the Company were settled through offsetting amounts due from these individual shareholders which were resulted from the consideration paid by the Group to them to acquire shares of Yuehua Limited as detailed in Note 1.2 (e)(i), pursuant to certain offsetting agreements among the Group and individual these shareholders.

(d) Cash flows from deemed distribution

Pursuant to the dismantlement of contractual arrangements in respect of Horgos Yuehua and the deemed distribution which were accounted for as an equity transaction (i.e. distribution to owners), as detailed in Note 1.2(g)(i), the assets and liabilities of Horgos Yuehua were derecognized, and the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Cash flow information—continued

resulting credit of approximately RMB 565,000 to total equity and the net cash disposed of approximately RMB 15,298,000, being the cash and cash equivalent balances under Horgos Yuehua on the date of deemed distribution, are as follows:

	As at March 4, 2022
	RMB'000
Carrying amount of assets/(liabilities) disposed on the date of deemed distribution	
Cash and cash equivalents	15,298
Financial assets at fair value through profit or loss	340
Deposits, prepayments and other receivables	1,426
Investment in an associate	37,236
Trade and other payables and accruals	(52,603)
Contract liabilities	(2,262)
Credit to total equity	**(565)**
Net cash disposed from deemed distribution	**15,298**

35 Commitments

(a) Capital commitments

The Group mainly has capital commitments with respect to property, plant and equipment, intangible assets and investments accounted for using the equity method. Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities were as follows:

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Music copyrights	1,950	—	—	—
Leasehold improvements	—	5,740	2,687	297
Investments accounted for using the equity method	—	—	10,000	—
	1,950	5,740	12,687	297

36 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The Controlling Shareholder is disclosed in Note 1.2.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Significant related party transactions—continued

Save as disclosed in Note 10, major related parties that had transactions with the Group during the Track Record Period were as follows:

	Relationship with the Group				
Name of the related parties	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at September 30, 2021	As at September 30, 2022
Ms. Du	Controlling Shareholder	Controlling Shareholder	Controlling Shareholder	Controlling Shareholder	Controlling Shareholder
Mr. SUN Yiding	Director of Yuehua Limited	Director of Yuehua Limited	Director of Yuehua Limited	Director of Yuehua Limited	Director of Yuehua Limited
Ms. SUN Yu Qing	Daughter of Mr. SUN Yiding	Daughter of Mr. SUN Yiding	Daughter of Mr. SUN Yiding	Daughter of Mr. SUN Yiding	Daughter of Mr. Sun Yi Ding
Mr. LEE Sang Kyu	Director of a subsidiary of the Group	Director of a subsidiary of the Group	Director of a subsidiary of the Group	Director of a subsidiary of the Group	Director of a subsidiary of the Group
Ms. YAO Lu	N/A	Director of Yuehua Limited to represent CMC	Director of Yuehua Limited to represent CMC	Director of Yuehua Limited to represent CMC	Director of the Company to represent CMC
Ms. Zhao Wenjie	N/A	N/A	Director of Yuehua Limited to represent Quantum Jump	Director of Yuehua Limited to represent Quantum Jump	Director of the Company to represent Quantum Jump
Mr. MENG Qingguang	N/A	Director of Yuehua Limited to represent Dongyang Alibaba Pictures	Director of Yuehua Limited to represent Dongyang Alibaba Pictures	Director of Yuehua Limited to represent Dongyang Alibaba Pictures	Director of the Company to represent Dongyang Alibaba Pictures
CMC and its subsidiaries (collectively "CMC Group")	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries	CMC as a shareholder of Yuehua Limited with the right to nominate an individual to represent CMC as a director of Yuehua Limited, and CMC's subsidiaries
Quantum Jump's fellow subsidiaries under the common control of the same ultimate shareholder (collectively "Quantum Jump's fellow subsidiaries")	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the	Quantum Jump as a shareholder of Yuehua Limited with the right to nominate an individual to represent Quantum Jump as a director of Yuehua Limited, and fellow subsidiaries of Quantum Jump under the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Significant related party transactions—continued

Name of the related parties	Relationship with the Group: As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at September 30, 2021	As at September 30, 2022
	common control of the same ultimate shareholder	common control of the same ultimate shareholder	common control of the same ultimate shareholder	common control of the same ultimate shareholder	common control of the same ultimate shareholder
Alibaba Pictures Group Limited and its subsidiaries, and its fellow subsidiaries under the common control of the same ultimate shareholder (collectively "APG")	N/A	Dongyang Alibaba Pictures as a shareholder of Yuehua Limited with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of Yuehua Limited, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder	Dongyang Alibaba Pictures as a shareholder of Yuehua Limited with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of Yuehua Limited, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder	Dongyang Alibaba Pictures as a shareholder of Yuehua Limited with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of Yuehua Limited, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder	Dongyang Alibaba Pictures as a shareholder of Yuehua Limited with the right to nominate an individual to represent Dongyang Alibaba Pictures as a director of Yuehua Limited, and Alibaba Pictures Group Limited and its subsidiaries (including Dongyang Alibaba Pictures) and its fellow subsidiaries under the common control of the same ultimate shareholder
Nice Future (Beijing) Culture Communication Co., Ltd. (尼斯未來(北京)文化傳播有限公司) ("Nice Future")	N/A	N/A	A company owned as to 10.0% by Tianjin Yihua, 30.0% by Mr. LIU Jiachao, an independent third party and 60.0% by Mr. DU Jiang, a family member of Ms. Du.	A company owned as to 10.0% by Tianjin Yihua, 30.0% by Mr. LIU Jiachao, an independent third party and 60.0% by Mr. DU Jiang, a family member of Ms. Du.	A company owned as to 9.5% by Tianjin Yihua, 28.5% by Mr. LIU Jiachao, an independent third party and 57.0% by Mr. DU Jiang, a family member of Ms. Du.
Wuyin Digital 北京吾音數字科技有限公司	N/A	N/A	N/A	N/A	An associate of the Group owned as to 20.0% by Tianjin Yihua

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Significant related party transactions—continued

In the opinion of the Company's directors, the following related party transactions were carried out at terms negotiated and mutually agreed between the Group and the respective related parties:

(a) Transactions with related parties

	As at December 31,			As at September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(i) Revenue:					
APG	—	19,084	95,004	59,926	38,963
CMC Group	142	108	6,883	6,826	7,245
Quantum Jump's fellow subsidiaries	10,314	12,350	63,737	57,144	23,998
	10,456	31,542	165,624	123,896	70,206
(ii) Cost of revenue:					
APG	—	—	1,486	27	—
Quantum Jump's fellow subsidiaries	—	—	452	—	627
	—	—	1,938	27	627
(iii) Finance income:					
Nice Future	—	—	53	—	41

(b) Balances with related parties

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-nature				
(i) Trade receivables:				
APG	—	9,622	565	5,621
CMC Group	—	54	57	—
Quantum Jump's fellow subsidiaries	—	1,717	15,770	16,228
	—	11,393	16,392	21,849
(ii) Contract liabilities:				
APG	—	5,689	4,463	2,586
Quantum Jump's fellow subsidiaries	623	14,151	—	283
Wuyin Digital	—	—	—	174
	623	19,840	4,463	3,043
(iii) Other payables:				
APG	—	4,787	4,787	70
CMC Group	8,023	7,547	—	—
Quantum Jump's fellow subsidiaries	—	—	—	620
	8,023	12,334	4,787	690
Non-trade nature				
(iv) Loan and interests receivables to a related party:				
Nice Future	—	—	6,861	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Significant related party transactions—continued

	As at December 31,			As at September 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
(v) Loans from related parties:				
Ms. SUN Yu Qing	2,731	—	—	—
Mr. LEE Sang Kyu	4,192	—	—	—
	6,923	—	—	—
(vi) Amounts due from shareholders:				
Various shareholders (Note 1.2 (e))	—	—	344,600	—

As of December 31, 2021, loan to Nice Future was unsecured, interest-bearing at China's one-year loan prime rate per annum and repayable in one year. The loan was fully repaid in 2022.

As of December 31, 2019, loan from Ms. SUN Yu Qing was unsecured, interest-free and repayable in one year. The loan was fully repaid in 2020.

As of December 31, 2019, loans from Mr. LEE Sang Kyu were unsecured, interest-free and repayable on demand. The loans were fully repaid in 2020.

The amounts due from shareholders amounting to approximately RMB344,600,000 were subsequently settled in March 2022 as part of the Group's reorganization. For details, please refer to Note 1.2(e).

(c) Key management personnel compensation

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	4,281	5,061	7,079	5,318	2,941
Pension costs – defined contribution plans	115	25	175	130	175
Other social security costs, housing benefits and other employee benefits	175	223	393	333	232
Equity settled share-based payments	—	—	737	—	11,431
	4,571	5,309	8,384	5,781	14,779

37 Notes to the statements of financial position of the Company

(a) Investment in subsidiaries

	As at December 31, 2021	As at September 30, 2022
	RMB'000	RMB'000
Investment in subsidiaries	—	7,342,391
Deemed investments arising from equity settled share-based payments (i)	2,068	68,303
Less: allowance for impairment of investment in a subsidiary (ii)	—	(3,484,505)
	2,068	3,926,189

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37 Notes to the statements of financial position of the Company—continued

(a) Investment in subsidiaries—continued

(i) The amount represents equity settled share-based payments arising from the grant of restricted share units ("RSUs") of the Company to eligible individuals of the subsidiaries (Note 38) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries pursuant to the accounting policies as set out in Note 2.20.

(ii) As at September 30, 2022, the Company recognized impairment of approximately RMB3,484,505,000 on investment in a subsidiary according to the valuation on the recoverable amount of the investment in a subsidiary. The recoverable amount was determined based on value-in-use calculations which use cash flow projections based on financial budgets.

(b) Other payables

As at December 31, 2021 and September 30, 2022, the carrying amounts of other payables approximated their fair values and were denominated in USD.

(c) Reserve movement of the Company

	Accumulated Losses	Exchange reserve	Share premium and other reserves	Share-based compensation reserve	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2020 and January 1, 2021	—	—	—	—	—
Equity settled share-based payments	—	—	—	2,068	2,068
Loss and comprehensive loss for the year	(35)	—	—	—	(35)
Balance at December 31, 2021	(35)	—	—	2,068	2,033
Balance at January 1, 2022	(35)	—	—	2,068	2,033
Equity settled share-based payments	—	—	—	66,235	66,235
Loss and comprehensive loss for the period	(2,668,202)	—	—	—	(2,668,202)
Reorganization—recognition of the investment in a subsidiary	—	—	5,402,739	—	5,402,739
Reorganization—capital contribution from ordinary shareholders	—	—	202,053	—	202,053
Dividends to the shareholders of the Company	—	—	(259,951)	—	(259,951)
Currency translation differences	—	240,589	—	—	240,589
Balance at September 30, 2022	(2,668,237)	240,589	5,344,841	68,303	2,985,496

38 Equity settled share-based payments

2021 share incentive plan of the Company (the "2021 Share Incentive Plan")

On December 10, 2021, the Company adopted the 2021 Share Incentive Plan, pursuant to which the maximum number of shares in respect of which awards may be granted shall not exceed 5,790,000 shares. On the same day, the board of directors of the Company passed a resolution, pursuant to which an aggregate of 1,542,500 ordinary shares were issued to ARK Trust (Hong Kong) Limited, a trustee for the administration of the 2021 Share Incentive Plan. Meanwhile, the Company granted 1,542,500 RSUs to eligible participants (the "Grantees"), representing ordinary shares of par value USD0.0001 each in the share capital of the Company.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38 Equity settled share-based payments—continued

On March 4, 2022, the board of directors of the Company passed a resolution, pursuant to which an aggregate of 4,247,500 ordinary shares of the Company were issued to LIGHTSTONE TRUST (HONG KONG) LIMITED, a trustee for the administration of the 2021 Share Incentive Plan. On the same day, 3,594,750 RSUs had been granted to the Grantees.

The aforementioned RSUs awarded on December 10, 2021 and March 4 , 2022 are subject to a vesting scale in tranches from the grant date over certain period of employment with the Group or period of service to the Group, on the condition that employees remain employed and suppliers continue to provide services to the Group without any performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

Details of RSUs are as follows:

Grant date	Number of RSUs	Vesting condition
December 10, 2021	1,542,500	25% are to be vested 6 months from the **[REDACTED]** 25% are to be vested 18 months from the **[REDACTED]** 25% are to be vested 30 months from the **[REDACTED]** 25% are to be vested 42 months from the **[REDACTED]**
March 4, 2022	3,594,750	25% are to be vested 6 months from the **[REDACTED]** 25% are to be vested 18 months from the **[REDACTED]** 25% are to be vested 30 months from the **[REDACTED]** 25% are to be vested 42 months from the **[REDACTED]**

The exercise price is HKD0.1 per share and will be paid by the Grantees upon the vesting and settlement of each of the RSUs.

The share-based compensation expenses recognized during the Track Record Period were summarized in the following table:

	Year ended December 31,			Nine months ended September 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Share-based compensation expenses for eligible individuals	—	—	2,068	—	66,235

Expected retention rate

The Group has to estimate the expected percentage of Grantees that will stay within the Group at the end of the vesting periods (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at December 31, 2021 and September 30, 2022, the Expected Retention Rate was assessed to be close to 100%.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38 Equity settled share-based payments—continued

Movements in the number of RSUs granted and the respective weighted average grant date fair value per RSU are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU
		(RMB)
As at December 1, 2021	—	—
Granted on December 10, 2021	1,542,500	49.72
Vested during the year	—	—
Outstanding as at December 31, 2021	1,542,500	49.72
As at January 1, 2022	1,542,500	49.72
Granted on March 4, 2022	3,594,750	50.18
Vested during the period	—	—
Outstanding as at September 30, 2022	5,137,250	50.04

The Group applied the discounted cash flow method to determine the underlying equity value of the Company on the date of grant. The fair value of each RSU at the grant date is determined with reference to the fair value of the underlying ordinary shares on the date of grant. Key assumptions are set as below:

	As at December 10, 2021	As at March 4, 2022
	RMB'000	RMB'000
Discount rate	12.00%	12.00%
Discount for lack of control	25.10%	24.00%

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of RSUs on the date of grant.

39 Contingent Liabilities

The Group had no material contingent liabilities outstanding as at December 31, 2019, 2020, 2021 and September 30, 2022.

40 Subsequent events

Since October 2022, there have been regional outbreaks of Coronavirus Disease 2019 ("the COVID-19 pandemic") in various parts of China due to the Delta and Omicron variants.

The Directors have adopted measures in response to the temporary impact from the COVID-19 pandemic on the Group's business and results of operations, including but not limited to maintaining close communications and negotiations with the customers to arrange alternative online performances, as well as proactively explore new opportunities to cooperate with corporate customers, media platforms, content producers and advertising agencies and make efforts to secure more contracts with customers.

Due to the uncertainties associated with the resurgence of these variants, the Group will continue to closely monitor the development of the COVID-19 pandemic, including but not

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40 Subsequent events—continued

limited to the extent to which governmental restrictions on travel, public gatherings, mobility and other activities remain in place or are augmented.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2022 and up to the date of this report.

No other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2022.